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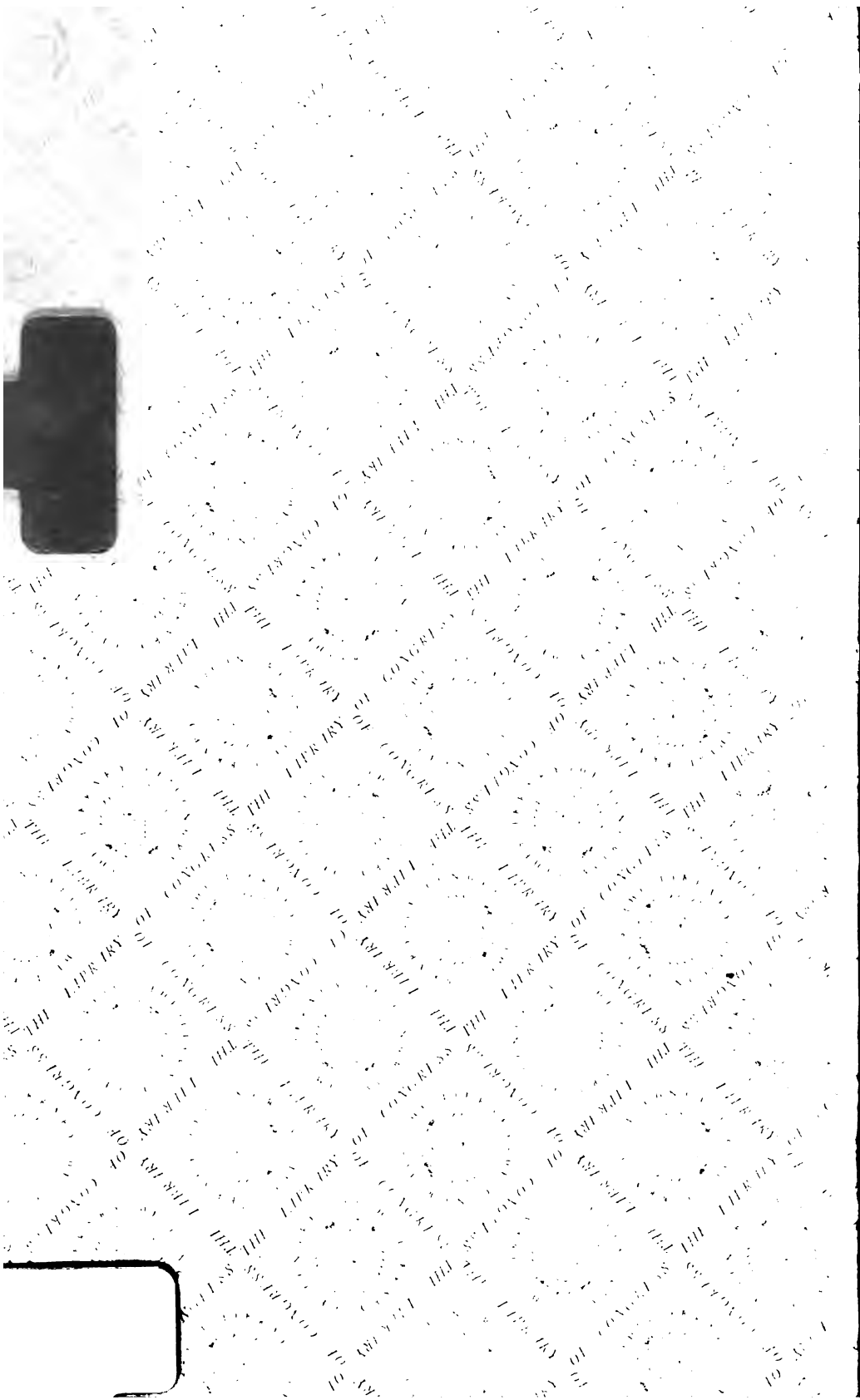
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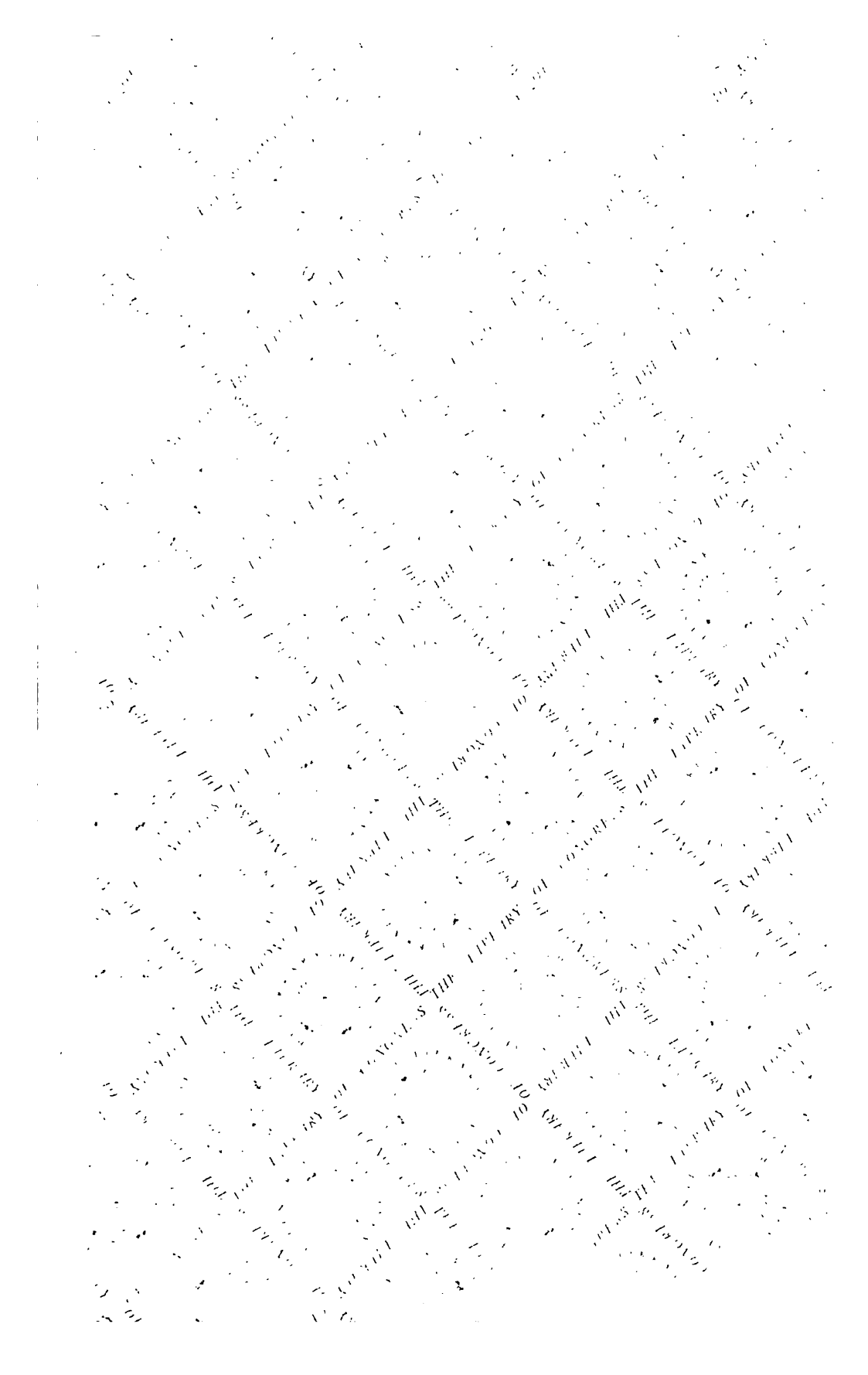
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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

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**BEFORE THE
COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 1

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

COMMITTEE ON BANKING AND CURRENCY.

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NOMINATION OF JOHN SKELTON WILLIAMS.

MONDAY, JUNE 30, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to call, at 10.15 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present, Senators McLean (chairman), Page, Gronna, Norris, Calder, Newberry, Keyes, Hitchcock, Pomerene, Fletcher, Henderson, and Walsh.

Present also, Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. Wade H. Cooper, and others.

The committee had under consideration the nomination of Mr. John Skelton Williams as Comptroller of the Currency.

The CHAIRMAN. This meeting was called for the purpose of consideration of the nomination of Mr. John Skelton Williams for Comptroller of the Currency.

Senator POMERENE. The committee went fully into this at the last session, taking a large amount of testimony. If there is any new testimony, I can understand why that should be heard, but if it is simply a repetition of the old testimony, haven't we the full record?

The CHAIRMAN. Senator Pomerene, you will remember that along near the close of the hearing last session the Riggs Bank became insolvent. The Comptroller brought an action against the bank, and some portions of that record were put into the hearings. The president of the bank notified me shortly after the close of last session that he wanted to be heard if Mr. Williams' name was sent in again. I notified him and he said he would be here, and he was very anxious to be heard.

Senator POMERENE. I am not objecting, if there is any new testimony. If there is any new testimony, of course we should hear it.

The CHAIRMAN. That would be in the nature of new testimony.

Senator POMERENE. But if it is simply a repetition of what we had had heretofore, it seems to me we have that already in printed form, so that it would save the committee a lot of time.

The CHAIRMAN. We ought not to go over that again.

Senator FLETCHER. My recollection is that the extent to which Riggs Bank was insolvent, and the relevancy of it to this matter, was voted on by the committee, and the committee decided that there was nothing in regard to the Riggs Bank that had any bearing here, and there was no need for their being heard. Was it not voted on by the committee?

Senator NORRIS. As I remember it now, I expected the Riggs Bank to be present, but they did not come. As far as I am personally concerned, I do not care whether you have any hearings or not.

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But there are some new members of the committee. I have no objection to hearings. I was as patient as I could be, and attended the hearings before. There was a good deal of it that I thought was chaff. But I am willing to go into it again, particularly if the new members want to, or if there is something new. As far as I am personally concerned, I do not care whether you have a syllable more. I am ready to vote right now. But I realize that especially the new members of the committee may not be prepared to vote.

Senator POMERENE. There is no doubt about that. My only concern was to avoid repetition.

Senator NORRIS. I would like to do that too.

Senator POMERENE. We have the testimony here, and they will all be interested in reading it. But you can read the testimony very much more quickly than you can sit here and hear it a second time.

The CHAIRMAN. Mr. Cooper, have you anything to present to the committee?

STATEMENT OF MR. WADE H. COOPER, OF WASHINGTON, D. C.

Mr. COOPER. Mr. Chairman and Senators, I do not know whether you want to go into the record any further or not. But I do think you ought to know what has transpired since the adjournment of Congress.

Senator NORRIS. Mr. Chairman, unless some other member, particularly the new members who have come in, desire to take a different course, I would suggest that Mr. Cooper be requested to confirm whatever he has to say to things that have happened since the committee had this matter up in the last Congress.

The CHAIRMAN. Yes; I think it is well to understand that.

Mr. COOPER. That is what I intended to do. I state here the charges at the last session, and then I say:

I now desire to supplement the above charges with the following:

Sixteenth: That John Skelton Williams, since the last session of Congress, in order to gratify his revenge toward me for appearing in opposition to his confirmation, in violation of his promise that there would be no reprisals as to persons who appeared against him, and in utter violation of the executive sessions of the Banking and Currency Committee, which he has treated with contempt, and in violation of his oath of office to protect the banks under his supervision, has circulated or caused to be circulated numerous libelous circulars in different parts of the country reflecting upon me and my brothers, with the single hope of discrediting me and destroying the banks of which I am president, especially the United States Savings Bank, of Washington, as well as all the banks in which my brothers are interested in the South. This libelous circular, with some amendments, repeats and reaffirms the statements which he made before the Banking and Currency Committee to the effect that I had obtained by false pretenses about \$65,000 from the United States Savings Bank by sale of some of its bonds; that I had obtained about \$25,000 from a bank in Georgia by a sale of certain bonds of the same issue. Both of these statements were shown to be absolutely false before the committee and the facts distorted, twisted, and misrepresented by John Skelton Williams, in an attempt to reflect upon me. His sole aim and object was to create a "run" on some or all of the banks, especially upon the United States Savings Bank. I understand that he inquired of one party, "What would happen to the stockholders of that bank if it should have a run," thereby establishing conclusively that his purpose was to reflect upon me and to create a "run" on the United States Savings Bank by circulating these scandalous and libelous circulars in different parts of the city of Washington, as well as the different parts of the South and other parts of the country.

Senator GRONNA. Mr. Cooper, I do not want to interrupt you if you prefer to go on, but rather than have you go into this matter again, which I assume will take a long time, because we heard you at the last session, when you make a statement that Mr. Williams has done so and so, I wish that you would produce the letters, or produce some tangible evidence that he has done so. I do not mean to say this because I disbelieve your statement, but I believe the committee ought to have some facts.

Senator NORRIS. I agree with you fully, Senator, but let me suggest, as I understand, Mr. Cooper is simply reading his written charges. They will not be given any consideration unless he substantiates them by proof of the facts that he alleges. It is like a petition in court. I suggest we let him read his written charges, and then take up the proof, if he has any.

Senator GRONNA. The reason I suggest this at this time is that the committee took up considerable time on matters, I believe, that should not have been brought to the committee, and as one member of the committee, unless you have something that I would consider proof, I would not be willing to take the time to listen to it. I want it understood, as far as I am concerned, that I am not willing to devote all this time simply to hearing charges made, unless they can be substantiated.

Senator NORRIS. For instance, now, he has made a charge that Mr. Williams has circulated reports detrimental to the bank since the last Congress. That is one of the charges he had already read. Of course, if it rests only on the charge, I would not give it any consideration. But I would prefer to let him, as a lawyer would in court, read his entire petition and then take up the proof—whatever he has, for instance, on that charge. But I do not believe it would expedite matters, Senator, if we stopped him in his charges to take proof as we went along. Why not let him read the whole charge and then take proof?

Senator GRONNA. It was not my intention to stop him at all, except to call attention to the way I, at least, would like to have Mr. Cooper proceed.

Senator NORRIS. Of course, that is for the chairman to decide.

The CHAIRMAN. Mr. Cooper is a lawyer, and I supposed he was reading what he intended to prove later. I assume that is so, is it not, Mr. Cooper?

Mr. COOPER. Yes, sir.

Senator GRONNA. If that is understood, of course, I have no objection.

Mr. COOPER. My statement continues:

In his circular, which he has circulated from the office of the Comptroller of the Currency, he did not mention a single charge which I had preferred against him or the proof offered to sustain the charges, yet in his circular he announced that he was giving "the facts of the matter involved," thereby again demonstrating how utterly impossible it is for him to be fair, honest, and truthful, when he is using the machinery of his office in the cowardly attempt to discredit and destroy, if possible, the character of a man, as well as an institution in which so many people are interested. Whether his act was and is that of a craven and a coward and a dastardly assassin, I shall leave for you to determine—

Senator POMERENE (interrupting). I am not going to sit here and listen to invective. I want to know the facts. We will determine whether the things are true or not. For one member of the committee, I protest against that.

Mr. COOPER. I will withdraw that, Senator.

Senator NORRIS. I think, too, that is an argument and a conclusion that is to be drawn from evidence. If he wants to state the charges before the proof is offered, he can just state what he expects to prove without arguing questions as he goes along.

Mr. COOPER. That finishes that charge.

Seventeenth. That as director of finance of the United States Railroad Administration he wrongfully, corruptly, and unlawfully sat quietly by and by his act ratified and approved a contract whereby the United States Government entered into a contract to pay the Georgia & Florida Railroad, a little line running from Augusta, Ga., to Madison, Fla., the sum of \$88,000 per year net rental for said railroad when the said railroad was and is hopelessly insolvent and had sustained a net loss of about \$513,000 for the year previous. In elucidation and explanation of the foregoing statement I beg to say that this little railroad was, is, and for several years has been in the hands of receivers; that its stock is regarded as utterly worthless; that its bonds are regarded as little more than worthless; that this road was manipulated and operated by John Skelton Williams at or about the time he became Comptroller of the Currency; that his brother, Langbourne Williams, is and has been one of the receivers for the road for some time; that upon a proper investigation it is believed that it will be shown that the said John Skelton Williams, as director of finance of the United States Railroad Administration, was influenced by reason of his own selfish interest in the said road, or the interest of his brothers in the said road, to permit the United States Government to enter into such a contract as above described, and shows him to be incompetent and unfit to hold any public office.

I may say that the reports show that the above railroad sustained a deficit for the year 1917 of \$518,991, a deficit for the year 1916 of \$557,408, a deficit for the year 1915 of \$636,558, a deficit for the year 1914 of \$461,197, a deficit for the year 1913 of \$403,234, and a deficit for the year 1912 of \$245,277.

But notwithstanding this record the Government on or about November 1, 1918, entered into a contract to pay this road the sum of \$88,000 net per year for rental, as the records in the office of the Director General of Railroads should show. This road is known as a little "jerk-water" line, and it is not believed that it could possibly be any advantage whatever to the Government during the war or at any other time.

Eighteenth. That he is utterly unfit to be clothed with so much power and authority as is given him as Comptroller of the Currency; that he prostituted the power and authority of his office for the purpose of discrediting and destroying banks and bankers who happen to oppose him or any of his plans, as he did in the case of the Riggs National Bank, as he did in the case of the First National Bank of Canton, Pa., of which Congressman McFadden is president, as he did in the case of the First National Bank of Pell City, Ala., of which McLean Tilton was president, as he did in my own case, and has done in other cases.

Nineteenth. That his past record shows him to be utterly incompetent and incapable of discharging the important duties devolving upon him as Comptroller of the Currency; that his past record shows that practically every enterprise or institution with which he has been connected has proven financially disastrous; that this is illustrated in the case of the Seaboard Air Line Railroad, which he operated and manipulated and which finally collapsed and went into hands of receivers; that this is also illustrated in the case of the firm of John L. Williams & Son, in Richmond, in which he was a controlling factor, and which had a creditors' committee appointed to take charge of its affairs; that this is further illustrated in the case of the Georgia & Florida Railroad, above referred to, in which he was a controlling factor, and which finally collapsed and went into the hands of receivers on March 25, 1915.

Twentieth. That he has grossly neglected his duties as Comptroller of the Currency; that he knows nothing of the actual condition of the national banks of the country, and his claim to the contrary is rank hypocrisy; that he inquires into the condition of banks only when some bank or banker happens to displease him; that he misuses and abuses the power of his office in an attempt to discredit or destroy such banks or bankers as he has done in the cases above referred to. That he knows nothing of the actual condition of banks is well illustrated in the failure of the Heard National Bank of Jacksonville, Fla., a couple of years ago. This bank was organized about the time John Skelton Williams came into office, with a capital of \$1,000,000 and a surplus of a quarter of a million dollars; that said bank within the space of two or three years closed its doors, due to gross negligence of John Skelton Williams as Comptroller of the Currency; that upon the morning it closed its doors I personally

called on Comptroller Williams, as I was interested, and, upon making inquiry of him about the failure of the Heard National, the only information I got was that I was giving him "advance information."

Twenty-first. That his old firm of John L. Williams & Sons, at Richmond, had an account with the Commercial National Bank of Washington; that they had different loans with said bank, secured by said worthless stock or near-worthless bonds of the above Georgia & Florida Railroad; that said loans were frequently much in excess of the market value of the said worthless or doubtful stocks and bonds of the said Georgia & Florida Railroad; that said firm of John L. Williams & Sons frequently had overdrafts in said Commercial National Bank; that said overdrafts were frequently covered by a system of kiting, carried on between the Richmond office and the Baltimore office of the brothers of John Skelton Williams, but, notwithstanding this fact, Examiner Trimble was never known to criticize either the loans or the overdrafts of said John L. Williams & Sons, brothers of John Skelton Williams. This will in a measure enable the committee to understand why it was that John Skelton Williams was so resentful of the charges which were filed by me against Examiner James Trimble.

There are two other charges here, gentlemen, that I do not think I ought to read unless the committee were in executive session.

Senator HITCHCOCK. Was there a date to that last paragraph you just read?

Mr. COOPER. No, sir. I will withdraw these last two charges.

Senator HITCHCOCK. What is the date?

Mr. COOPER. I did not get the date. That is since he has been comptroller.

Senator HENDERSON. Do you mean since the last hearing?

Mr. COOPER. No, sir; that has not occurred since the last hearing.

Mr. NORRIS. If it is a new charge, which we have not gone into, I do not see why we should not hear it.

Senator HENDERSON. I understood we were taking up things that happened since the last hearing.

Mr. COOPER. In substantiation of the first charge, that he has mailed out numerous circulars seeking to destroy the banks in which I and my brothers are interested, he has gotten out a mimeographed form of 12 pages, headed: "Character and motives of opposition before Senate committee to confirmation of the Comptroller of the Currency."

It reads:

The within memorandum has been prepared for those likely to be interested because a number of bankers have expressed a wish to know the facts of the matter involved, and there is reason to believe that misleading and false statements directed against this bureau have been disseminated by several of the persons referred to herein.

It is believed, further, to be in the interest of sound banking to present these facts. Our national banks have made a record for efficiency, growth, soundness, and prudent and honest management which is wonderful, and without precedent in the history of commerce in this country or any other.

When the vast majority of the nearly 8,000 national banks are so managed as to command the respect and confidence of the officials most intimately in touch with them, it is, in the opinion of the Office of the Comptroller of the Currency, proper and in the interest of decent banking, and especially for the protection of the particular banks directly concerned, to present for "pitiless publicity" or the judgment of the banking community, transactions and methods so deserving of criticism and censure as those described within, and the motives of the men guilty of such transactions, who have been the source of the malign attacks upon this office.

Senator NORRIS. Is that letter signed by anybody?

Mr. COOPER. No, sir.

Senator NORRIS. How do you know it comes from his office?

Mr. COOPER. It says, "From the Office of the Comptroller of the Currency."

Senator NORRIS. Is that the envelope?

Mr. COOPER. That is one of them. A number of them have been handed to me, sent to various citizens indiscriminately throughout the country.

Senator NORRIS. This one is directed to Mr. William R. DeLashmutt, 1422 Allison Street NW., Washington, D. C. Is he a banker?

Mr. COOPER. He happens to be cashier of the United States Savings Bank.

Senator CALDER. Is the letterhead of the paper you have read from his office?

Mr. COOPER (reading):

Treasury Department, May, 1919, Comptroller of the Currency. Address reply to "Comptroller of the Currency."

Senator CALDER. Was this on the stationery of that office?

Mr. COOPER. Yes; and I may say he got out two series. The first series was nine pages, and then he made some changes. That was early in March, the 19th of March. And then in May he got out a new series of 12 pages.

Senator NORRIS. Is that the series you are reading from now?

Mr. COOPER. Yes, sir; the last one.

Senator NORRIS. Is that the envelope this document came in?

Mr. COOPER. No, sir; this was handed to me by a gentleman who had no connection with that bank.

Senator NORRIS. Do you know whether this envelope that I have just examined contained that kind of a statement when it was sent out?

Mr. COOPER. Yes, sir.

Senator NORRIS. Under the frank of the comptroller's office?

Mr. COOPER. Yes, sir. He justifies that, I suppose, as calling attention to Mr. DeLashmutt, as cashier of the United States Savings Bank, in this particular case. But he has sent out letters all through the country—in every town where we had a bank he has littered it—and he has a subagent down in South Carolina, who appears to be his agent, who distributes them wholesale, sometimes 12 in a bunch.

Senator NORRIS. Is that a town where you have a bank?

Mr. COOPER. Yes, sir; that is a town where we have a bank—every town. The whole purpose seems to have been to create a run and try to destroy the bank. The next page reads:

MEMORANDUM CONCERNING THE HEARINGS BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE UNITED STATES SENATE ON THE PRESIDENT'S NOMINATION OF JOHN SKELTON WILLIAMS FOR A SECOND TERM AS COMPTROLLER OF THE CURRENCY.

When the President sent to the United States Senate the nomination of John Skelton Williams to be Comptroller of the Currency for a second term, the nomination was referred, as usual, to the Banking and Currency Committee for recommendation.

The committee proceeded to hear all who might have reasons to offer against the confirmation of the nomination or who had complaints to present against the management of the office. Wide publicity was given this fact through the newspapers.

I am not going to read all this, because it was printed in the printed hearings.

The records show, however, that despite the activities of a few discredited bankers and certain enemies of the administration, only three witnesses appeared before the committee in opposition to confirmation.

The first witness was an official of two comparatively obscure local banks, operating under State charter, but under supervision of the comptroller, because doing business in the District of Columbia, which for several years have been upon a "special list" for close watching, because of their reprehensible practices and mismanagement.

The second witness was a newspaper reporter, with whom the bank official above referred to had been negotiating for conducting a "disguised" propaganda against this office, for which he had suggested a "fee of \$250 per week"—although this same newspaper man admitted that he had never heard anything which reflected upon the integrity of the comptroller's administration.

The third witness was now ex-Senator Weeks, of Massachusetts, the burden of whose complaint was his fear that the comptroller might be influenced by "enimities," although in his testimony before the committee on February 20, he frankly said:

"I do not make the positive statement that you have been influenced by enmities. When I say that I think you have been, I mean to say the impression that the banking fraternity has is that you have been influenced." To support that theory, the ex-Senator referred to the Riggs Bank case, but was promptly reminded that the decision in that case had been overwhelmingly in the comptroller's favor. He then cited what he claimed was a discrimination in the matter of "railroad deposits," but this was refuted by the introduction into the testimony of a letter from an officer of the company he claimed had been discriminated against, which said emphatically:

"It has been understood that large amounts of deposits of railroad funds have, as a result of Federal control, been drawn from other banks and trust companies in New York, for various purposes and for various reasons," but that "the propriety of so doing has not been questioned by the company or its officers."

The Banking and Currency Committee at the conclusion of the hearings reported the nomination favorably to the Senate 9 to 4, 3 of the 7 Republican members not voting.

The following excerpts from the testimony given before the Banking and Currency Committee of the Senate by the Comptroller of the Currency, John Skelton Williams, prove clearly the character of the activities of Wade H. Cooper, the one bank official already alluded to, who appeared before the Senate committee during the entire hearing in opposition to the comptroller's confirmation.

(The name of one national bank to which frequent allusion in the course of this memorandum is necessary, is omitted purposely because of a desire to avoid as far as possible causing injury to its credit or impairing its usefulness.)

That is the bank down in Georgia.

(The discredited individual who was president and chiefly responsible for its troubles is now eliminated from it, and every means the comptroller's office can apply, legally and properly, to restore and maintain its stability will be used cheerfully. (Excerpts from testimony given before the Senate committee on Feb. 17, 1919.)

Then he proceeds to read all that stuff that he read to you gentlemen before, part of the printed record. He does not give my side of it. He said he was giving the facts of the matter involved.

The CHAIRMAN. I do not know that there is any objection, and Mr. Williams would like to ask a question.

Mr. WILLIAMS. I should like that entire statement to go into the record. I should like to have it read for the benefit of the members.

Senator HITCHCOCK. It would certainly be proper, if he has read part of this, to have it all go into the record. There can not be any doubt about it.

Mr. COOPER. I have not read any part of it.

Senator HITCHCOCK. I mean this you have just read from should go in as a complete document.

Mr. COOPER. I never said that. I read the introduction, and said that the balance was all in the printed hearing.

Mr. WILLIAMS. Mr. Chairman, that statement is not correct.

Senator HITCHCOCK. This is the statement Mr. Williams has just recently sent out. You have read only a part of it. There are other parts which would modify what you have read, and I think it all ought to go in as a complete document.

The CHAIRMAN. Undoubtedly, Mr. Williams will have the right to put it in later on.

Mr. COOPER. The only object I had was to save you from encumbering the record.

Mr. WILLIAMS. That includes comments which were not a part of the record, and which I would like particularly for this committee to be advised of.

Senator HITCHCOCK. Of course, Mr. Williams would also have the right to direct the attention of the committee to any part of it. I move that it go in.

Senator NORRIS. There is no objection to it going in. I would be willing to have it read now, even if it is a repetition.

Senator HITCHCOCK. Let me ask you a question: Do you claim that statement gives a false impression of what occurred before the committee?

Mr. COOPER. Absolutely.

Senator NORRIS. In what respect?

Mr. COOPER. It gives his side of the statement.

(The committee thereupon had informal discussion, after which the following occurred:)

Senator NORRIS. Mr. Cooper was right in the midst of an answer to a question asked by Senator Hitchcock.

Senator HITCHCOCK. I did ask the witness whether he claimed that this statement which has just been placed in the record, the circular sent out by Mr. Williams, misrepresented the occurrences before the committee, and he answered that he thought it did, and I asked him then in what respect.

Mr. COOPER. He states that this is the testimony offered by him before the committee. Of course, that is the testimony offered by him before the committee, but it was shown to be absolutely false under your own questioning, and under the questioning of Senator Norris and Senator McLean. For instance:

The ACTING CHAIRMAN. Mr. Williams, you qualify your former statement, and in view of the statement made this morning by Mr. Cooper that in addition to paying 16 cents on the dollar for the bonds—

Mr. WILLIAMS. He took over doubtful paper. I am—

The ACTING CHAIRMAN. And, furthermore, that when the bonds were sold nominally to the bank at Waycross, Ga., for 100 cents on the dollar, 50 cents of that 100 cents was taken out in bad paper?

He does not go into that. He gives his ex-parte statement, which is absolutely false.

Senator HITCHCOCK. In his circular, which you have put in the record, does he refer to part of the testimony which he afterwards corrected?

Mr. COOPER. Not a bit of it.

Senator WALSH. Do you mean that is absolutely false in fact, or false in being improperly stated from the record?

Mr. COOPER. False in fact, and the record shows that. He gives his original testimony, but omits any questions asked him by Senator Hitchcock, Senator Norris, Senator McLean, or Senator Gronna, or any answers.

Senator WALSH. You mean this is not a complete record?

Mr. COOPER. That is right.

Senator WALSH. Not that it is a false record, but that it is incomplete. In other words, it is misleading?

Mr. COOPER. Absolutely.

Senator HITCHCOCK. Of course, he did not pretend to give all the proceedings before the committee. What he purports to do is to give his testimony.

Mr. COOPER. But not all his testimony.

Senator HITCHCOCK. In his testimony, your position is, some of it was found inaccurate?

Mr. COOPER. Yes.

Senator HITCHCOCK. That you pointed out the inaccuracies, and Mr. Williams admitted they were inaccurate?

Mr. COOPER. Yes, sir.

Senator HITCHCOCK. Does he, in that circular, according to your claim, state the original inaccuracies?

Mr. COOPER. Not at all.

Senator HITCHCOCK. You do not claim that he restates the inaccuracies?

Mr. COOPER. He does not refer to any inaccuracies. He just gives the testimony he read before you gentlemen.

Senator NORRIS. You mean that he gives the testimony there as he originally gave it, but does not give anything of your statement—any of the corrections that would modify the meaning?

Mr. COOPER. That is right; not one.

Senator HITCHCOCK. Will you point out in this statement what inaccurate thing he repeats?

Mr. COOPER. This is the same thing that I read.

Senator NORRIS. I understood he was just proceeding to do that very thing.

Senator HITCHCOCK. No. He says this contains a repetition of some of Mr. Williams's statements, which he afterwards admitted to be inaccurate. Now, I ask him to point out that.

Senator NORRIS. That is what I understood he was just starting out to do.

Mr. COOPER. If you are going to let me argue this thing——

Senator HITCHCOCK. Just point it out in the paper.

Mr. COOPER. Senator Hitchcock, you remember he had about a 13-page paper he read to you?

Senator HITCHCOCK. I am talking about this you are now introducing.

Mr. COOPER. This is what he read. This is a copy of what he read.

Senator HITCHCOCK. Just pick out the page where he repeats a statement in which he was shown to be inaccurate before the committee.

Mr. COOPER. If I go into that——

Senator HITCHCOCK. Just show it to me. That is the document you have introduced in your evidence.

Mr. COOPER. For instance, where he states in there that I have practically obtained \$65,000 for the sale of the bonds——

Senator HITCHCOCK. Show it to me there, please.

Mr. COOPER. Where he has repeated that?

Senator HITCHCOCK. Yes.

Mr. COOPER. Senator, you asked me to point it out. Of course, this is a long document. I would have to read the whole story and then find it out from the printed record.

Senator HITCHCOCK. You are charging that there is a repetition there of something found to be inaccurate. You certainly can show me where it comes in.

Mr. COOPER. This is a repetition of his testimony before the committee—of his original testimony.

Senator HITCHCOCK. Yes.

Mr. COOPER. Omitting entirely his cross-examination.

Senator HITCHCOCK. Yes. But, of course, if you say this gave an erroneous impression, you can show me some page or paragraph that gives that impression.

Mr. COOPER. I refer to the question where he says I obtained \$65,000 for the sale of the bonds of the United States Savings Bank.

Senator HITCHCOCK. Where is that in this paper?

Mr. COOPER. He starts out at page 8:

The Bureau of National Literature and Arts is a corporation which has been through serious financial difficulties and the control of which has been acquired by Wade H. Cooper.

And he reads on, as he did before, several pages, just a repetition of it. The printed record shows he confessed his inaccuracies after you cornered him and made him do it.

Senator HITCHCOCK. I realize what you mean, but if he made any misstatement as to the testimony before the committee it was in this document that you hold in your hand. Show me the paragraph.

Mr. COOPER. It would take an argument to do that. I have gone over it and sifted it out.

Senator NORRIS. It seems to me from what he has said that is the very thing he is going to do, if we would allow him to proceed.

Senator HITCHCOCK. If you are not able to put your hand on it——

Mr. COOPER. There it is, "The Bureau of National Literature and Arts"——

Senator HITCHCOCK. Read it.

Mr. COOPER. It is the whole document, practically.

Senator HITCHCOCK. Read the part you claim is a misrepresentation.

Senator NORRIS. He says that is what he has done in the argument he has prepared.

Senator HITCHCOCK. He has introduced a document. This document is a witness, and he claims this document contains a misrepresentation.

Senator NORRIS. Yes; and as I understand it, from what he has said he has before him an analysis of that very document, in which he points out the inaccuracies, and what he claims to be the misstatements.

Senator HITCHCOCK. I am asking him to point to an inaccuracy here in the document itself, not to make an argument, but to show a paragraph that is a misrepresentation.

Senator NORRIS. He says he has done that in that document, and I notice from the paper he has pasted to it there what purport to be quotations from that very article.

Senator HITCHCOCK. You are not able to point them out here?

Mr. COOPER. I have just pointed it out, on page 8.

The CHAIRMAN. All of that is a misstatement, as I understand him.

Senator HITCHCOCK. All of that what?

The CHAIRMAN. The memorandum from Mr. Williams that he has read is incorrect, it is a misstatement of the actual facts.

Mr. WILLIAMS. Mr. Chairman, will you not have him point out a misstatement? I claim every word is literally true.

Senator HITCHCOCK. You pointed me to page 8. I want to make it specific. I am not able to understand, myself, that this whole thing is false. I do not believe you claim the whole document is false?

Mr. COOPER. Practically all of it is false, unfairly stated.

Senator HITCHCOCK. He says:

The Bureau of National Literature and Arts is a corporation which has been through serious financial difficulties and the control of which has been acquired by Wade H. Cooper.

You did control it?

Mr. COOPER. Yes, sir.

Senator HITCHCOCK. It has been through financial difficulties?

Mr. COOPER. Yes, sir.

Senator HITCHCOCK. So that is not false?

Mr. COOPER. No, sir.

Senator HITCHCOCK. It says:

The United States Savings Bank held in its assets certain of the bonds of this company, which assets had been subject to criticism by the examiners.

Mr. COOPER. It seems to me, if you pardon me, that he states a lot of facts, and then states false conclusions. Let me say that a lot of that stuff may be reiterated. But the point I make is that the conclusion of it reflects upon me is false, in that when he concludes somewhere in there, as I read to you before——

The CHAIRMAN (interrupting). If the witness has put his conclusions in order, would we not save time by letting him go on in his own way?

Senator HITCHCOCK. I am perfectly willing to do that. If he says he is not able to point out the false parts in this document, that is all I want to know. You may proceed, then, Mr. Cooper.

Mr. COOPER. I think I ought to call attention to this fact. There is one fact stated in that circular which was not stated before the committee before. That is to the effect that I had used my superior knowledge as a director of the Bureau of National Literature and Arts to impose upon or defraud other bondholders.

Senator NORRIS. Have you that all pointed out in your written statement that you started to read?

Mr. COOPER. I think so.

Senator NORRIS. Then read on.

Mr. COOPER. Here is a pamphlet. I want to disprove that fact, because he is asking that that be made a part of the record. That is the one additional fact he introduced that was not before the committee. He claimed I bought the bonds of this company, the Bureau of National Literature, by using my fiduciary relationship to impose upon ignorant bondholders, and that I had confessed the same. Here is a pamphlet which I mailed out to the bondholders in 1917, seeking to reorganize that company and reduce the operating expenses. I want to introduce two or three sections which are brief. On page 10 of the document I state:

Had I only a small interest, I would feel it my duty to call the attention of the bondholders to the situation and then retire from the board, but my interest is too great. I represent more than 50 per cent of the entire bonded indebtedness of about \$350,000 outstanding, and we must see that the bonds are paid.

Senator POMERENE. How many of those bonds did you or your bank hold?

Mr. COOPER. At that time, I guess, I held nearly a hundred thousand personally.

Senator POMERENE. What did you pay for them?

Mr. COOPER. I paid various prices.

Senator POMERENE. What were the prices?

Mr. COOPER. Several years ago I bought some of them as low as 35 or 40, and then the last batch, that put me in control, I paid 90 for.

Senator POMERENE. Did you sell those bonds?

Mr. COOPER. No, sir.

Senator POMERENE. Did you sell any part of them?

Mr. COOPER. Some of them I sold.

Senator POMERENE. How many of them did you sell?

Mr. COOPER. I could not exactly tell you that. I sold \$30,000 worth to the Waycross, Ga., bank.

Senator POMERENE. That is your brother's bank?

Mr. COOPER. Yes, sir.

Senator POMERENE. How much did you get for them?

Mr. COOPER. \$15,000 cash, and I was to get \$15,000 in criticized paper, which I never received.

Senator POMERENE. In other words, you were to get par for them?

Mr. COOPER. I was to get \$15,000 in cash and was to get the balance in criticized paper.

Senator POMERENE. What do you mean by "criticized paper"?

Mr. COOPER. Paper criticized as worthless.

Senator POMERENE. That is \$35,000 you sold?

Mr. COOPER. \$30,000.

Senator POMERENE. Did you buy back those bonds again?

Mr. COOPER. No, sir.

Senator POMERENE. Did you take any part of them back?

Mr. COOPER. No, sir.

Senator NORRIS. What did you actually get for those bonds?

Mr. COOPER. I got the \$15,000.

Senator NORRIS. Did you get the paper?

Mr. COOPER. Not a nickel of it.

Senator HENDERSON. How many bonds were sold?

Mr. COOPER. \$30,000 to that bank.

Senator HITCHCOCK. You received 50 cents on the dollar, then?

Mr. COOPER. I received 50 cents on the dollar; yes. He states in there, or insinuates, as he did in his testimony, that I got a hundred cents on the dollar.

Senator POMERENE. When you sold these bonds to your brother's bank, was not the debtor company that issued bonds in better condition financially than it was at the time you bought them?

Mr. COOPER. I have been buying bonds for several years—

Senator POMERENE. I am talking about these bonds.

Mr. COOPER. I have been buying bonds for several years, and if you ask me the exact date I bought those, I can not tell you. But the company was in much better condition. The bonds will be paid absolutely in full.

Senator POMERENE. Why did you sell these bonds to your brother's bank?

Mr. COOPER. To assist in relieving it of criticism. In addition to that fact, the record shows we paid \$30,000 cash in there.

Senator POMERENE. Do you think it would relieve it from criticism to have these bonds you had gotten at these different valuations?

Mr. COOPER. It assisted.

Senator POMERENE. That is all.

Mr. COOPER. They admit now that the bonds are worth par, and Mr. Williams is insisting that we be held responsible. They concede they are worth par, and, Senator Pomerene, when I put the bonds in that bank in Georgia we had an understanding that if the examiner disapproved the bonds, I would take them out.

Senator POMERENE. And these bonds you were carrying among your assets at 20 cents?

Mr. COOPER. Yes, sir; carrying them as velvet, so that if we had a loss or anything we would have something to fall back upon, and he criticised them at that.

Senator POMERENE. What do you mean by carrying them as velvet?

Mr. COOPER. So that we would have that much assets we did not carry on our books, equity we did not carry on our books, so that if we had a loss, a rainy day came, we would have something to fall back upon.

Senator POMERENE. Why did you not carry some of your securities about which there was absolutely no question as velvet, instead of these bonds, about which there was a question?

Mr. COOPER. We got these bonds in settlement of certain lawsuits, in Akron, Cleveland, and Omaha, and we carried them at about what they cost us in the settlement of the lawsuits. But they were worth a great deal more.

Senator POMERENE. Lawsuits between whom?

Mr. COOPER. There was a lawsuit growing out of the failure of the Werner Co. Treadway & Marlatt represented those people. I suppose you know them?

Senator POMERENE. Yes; I know them.

Mr. COOPER. And Walsh at Akron, and the Central National, and the Werner Co. It was a very complicated matter.

I also state on page 12 of this pamphlet which I issued to these bondholders:

It is therefore easy enough for me to control the company, as I represent a majority of the bonds. I could therefore very easily proceed to elect a board that would vote me a salary of \$20,000 as chairman of the board or something else which would be just as reasonable as paying Mr. Barcus \$20,000, as I have certainly cost the company nothing, when he has. But I conceive it to be my duty as a director to represent all the bondholders to the best of my ability, and I am now giving you my plan and will be glad to have all the bondholders cooperate who so desire. If those who do not so desire prefer to sell their bonds will so notify me, I will endeavor to place them at some reasonable price, or they can hold them and participate in the distribution of the fund derived from the sale.

Personally, I prefer to hold my bonds and take chances on a reorganization.

Senator FLETCHER. Who owned the stock of the company?

Mr. COOPER. When I became president of the United States Savings Bank the Werner Co., at Akron, Ohio, had failed. This bureau company was operating in Washington. They were operating kind of interdependently, indorsed paper for each other, and when the Werner Co. at Akron failed I came in and found they had a loss confronting them of thirty or forty thousand dollars, and it resulted in

two or three lawsuits. I took hold of the situation and worked it out, reorganized this company, got it taken out of bankruptcy, got the creditors to surrender their claims, and to receive bonds for them. In receiving these bonds these people of Akron, Cleveland, Omaha, Pennsylvania, and New York and other places over the country all took bonds. It would take some time to tell you all about settling these lawsuits that grew out of this failure with this bank. I took these bonds in settlement, giving them so much money, costing us about 20 cents. The Bureau of National Literature at that time had very little assets. A lot of them were willing to sell their bonds cheaply, and I was buying them. I think the lowest I ever bought was 35 cents, in the Commercial National Bank of Washington. The company began to make money. It now has a surplus of over \$400,000.

Senator POMERENE. That is not answering the question that Senator Fletcher asked you. He asked you a question as to who held the stock—who owned this stock.

Mr. COOPER. I am going to tell you the story. In reorganizing the company we agreed to put Mr. Barcus, the former president, in charge of the company, and after these bonds were paid he was to have the stock. But the bondholders were to control the company, the bonds to be paid in 10 years.

Senator FLETCHER. Who actually owned the stock all this time?

Mr. COOPER. I assisted in reorganizing, and Barcus was to take charge of it and work it out and pay the bonds, and then he was to get all the stock.

Senator POMERENE. You say he owned the stock, and he was to get the stock. Between those times who owned the stock?

Mr. COOPER. When it went into bankruptcy the creditors owned it. But it was reorganized, and by the agreement of reorganization he was to get the stock when these bonds were paid.

Senator NORRIS. He was to get the stock, but where was it then?

Mr. COOPER. When it went into bankruptcy, he owned it.

Senator HITCHCOCK. How could he get it if he already owned it?

Mr. COOPER. When it went into bankruptcy would it not belong to the creditors? Anyway, he owned it when it went into bankruptcy, and the creditors all agreed to take bonds for their claims, and set him up on his feet, and they believed he could work it out, and he did.

Senator NORRIS. You mean he incorporated a new company?

Mr. COOPER. Yes, sir.

Senator FLETCHER. The books of the corporation will show who were the stockholders.

Mr. COOPER. He was the main stockholder, you understand.

Senator FLETCHER. The stock was worthless?

Mr. COOPER. The stock at that time was worthless, except for future value.

Senator GRONNA. In purchasing these bonds, did you make that purchase as an individual, as a personal investment, or did you purchase them for your bank? Did you buy them with the money of the bank?

Mr. COOPER. Oh, no. The bonds that the bank held were taken in settlement of these lawsuits, and as a result of the bank getting \$77,000 of those bonds in the settlement of those lawsuits I went and bought more bonds in order to control the company and work it out.

Senator GRONNA. Did you buy them with your money, or did you buy them with the bank's money?

Mr. COOPER. I bought them with my money.

Senator HITCHCOCK. Lawsuits you had with them?

Mr. COOPER. No, sir.

Senator HITCHCOCK. Lawsuits that the bank had?

Mr. COOPER. Yes, sir.

Senator HITCHCOCK. There is a sort of confusion there in my mind. I thought you said the bank had brought lawsuits, and in settlement it was to take the bonds, and then you said you bought them with your money.

Mr. COOPER. No; I said the bank settled the lawsuits and took the bonds in settlement.

Senator HITCHCOCK. What did you mean when you said you bought them?

Mr. COOPER. I went out afterwards to secure the control of the corporation, and bought the bonds myself.

Senator NORRIS. In the settlement the bureau, of which you were president, took as payment for its claim the bonds of the company, and then you, as an individual, in order to control the corporation itself, went out individually and bought enough stock to give you control?

Mr. COOPER. Bought enough bonds.

Senator NORRIS. In your individual capacity?

Mr. COOPER. Yes, sir. I further state on page 13 of this pamphlet to the bondholders:

My interest is so great that I would not think of taking any action unless I believed it to be the best thing to do. I shall proceed cautiously and follow the law and the contract literally.

If there is any point which any bondholder does not understand, which I have not made clear, I shall be glad of the opportunity to make it clear.

Senator HITCHCOCK. How does this pamphlet come into the case?

Mr. COOPER. They were paying out a lot of salaries over there; too much entirely for me, I thought, and under the terms of the reorganization agreement we were to get 10 per cent per annum, 5 per cent interest, and a question arose as to what was meant by the 10 per cent. We were to get 10 per cent of the net profits, and the question arose as to what was meant by 10 per cent of the net profits.

The CHAIRMAN. Mr. Williams wants to ask you a question, Mr. Cooper.

Mr. WILLIAMS. I would like to inquire whether or not that pamphlet to which he refers, and which he says was enlightening the bondholders at that time, was given to his own directors, the directors of his bank, because they wrote me a letter within the past two weeks, stating that they knew nothing about the value of those bonds at the time that they were required or induced by Mr. Wade Cooper or his brother, Thomas E. Cooper, to sell them at 16 or 20 cents on the dollar, whichever it was. Apparently they were relying entirely upon the judgment of Mr. Wade Cooper, the president of the bank, in parting with those bonds at 16 or 20 cents on the dollar, and have written to me that they knew nothing about it. I am wondering whether they were given a copy of that pamphlet at the time. If so, their memories are short, and they perhaps have forgotten it. But they say

they did not know what the bonds were worth and could not find out. I would also like to inquire——

Senator POMERENE (interrupting). Just one moment. Let that question be answered.

Senator NORRIS. Now, Mr. Chairman, anybody who has had any experience with trying a lawsuit knows this is not the way to do it. I think Mr. Williams ought to keep still until this witness gets through, and then question him as to anything that he may have to ask him. But when he makes a statement let us not permit some outsider to stop him there and argue it to us, as Mr. Williams has just proceeded to do, and take that question up. Why not have orderly proceedings, and when Mr. Cooper gets through, give Mr. Williams an opportunity to ask any questions that he wants to or make any argument that he wants to. If you let him argue every point that comes up, we will be here all summer.

The CHAIRMAN. Mr. Williams asked the privilege of asking a question.

Senator NORRIS. These two witnesses were continually doing that. When Mr. Williams was testifying, I remember I particularly objected to Mr. Cooper interrupting every few minutes, and making an argument. But when Mr. Cooper came to testify we found Mr. Williams doing exactly the same thing, and he has started in to do it now. Why not proceed in a more orderly way?

Senator FLETCHER. It seems to me a simple matter to answer whether Mr. Cooper let his directors know.

Senator NORRIS. All right, if you want to do it that way. Let us let the bars down, and it will apply to Mr. Williams when he comes on. When he makes statements, we will stop then and have an examination of them and let him be cross-examined before he goes to anything else. It is a rule that ought to apply to both sides, or else to nobody. I only mention it because it leads to orderly procedure that every lawyer knows ought to be followed in every orderly case. I was a member of the committee who objected to Mr. Cooper interrupting Mr. Williams all the time. But I found when Mr. Cooper got on the stand Williams was another man just like Cooper, and insisted on having an argument every time a statement was made. And that is what he has started to do now. This is the only time I am going to mention it. I can stand it, if we are going to try it that way. But I only suggest it for the purpose of getting some orderly procedure out of it. We will never get through if you do not do something of the kind, and the same rule that you apply to Cooper I am going to insist shall be applied to Williams when he comes on, and if you stop Williams, then when Williams is testifying Cooper must be stopped, until Williams gets his story told.

The CHAIRMAN. Of course, it is a matter for the committee to decide.

Senator WALSH. I think the suggestion was very proper, and I move that each witness be permitted to make his statement without interruption, unless he says something that is improper or irrelevant; then that the committee be given opportunity to examine him, and then that Mr. Williams be given an opportunity to examine him.

The CHAIRMAN. Until the committee orders to the contrary, we will follow that course.

Mr. COOPER. What was the question the Senator asked me?

The CHAIRMAN. You are not to answer that. You are to go ahead with your own statement.

Mr. COOPER. On page 14 of this pamphlet I state:

These bonds can and must be paid.

This pamphlet, gentlemen, was written in an effort to reorganize that company and put it on a better basis, so that there would be no question about the payment of these bonds.

Senator HENDERSON. Mr. Chairman, I suggest that this pamphlet be left with the clerk of the committee, so that the members of the committee will have access to it at any time.

Mr. COOPER. Mr. Williams states in this circular, the only new thing I believe he brought out, which he did not mention in the hearing, that I had been known to make depreciatory statements in order to buy these bonds, and he relies upon a statement which I made to the effect that the value of the bonds was not generally known and as a result of that I had been able to purchase them for various prices, sometimes buying them as low as 35 or 40 cents, sometimes paying as high as 90 cents. And when I was paying 35 or 40 cents, it was some years ago, when the company was not in anything like the condition it is in to-day, and there was no general market for it. They are not listed. People are anxious to get rid of bonds in a reorganized company that has been in bankruptcy.

Now, coming to his statement, I will state that I had numbers and numbers of those, 100 or 200, printed for the bondholders, and they were in my office at the bank, and I know some of the directors saw them. I could not tell you how many, or who, but they were there for months, and some of them are lying up there on top of my desk yet. But, in addition to that fact, he says they wrote him recently that they had no information, they did not know what they were worth. It was hard to tell at that time what they were worth. It was a matter of opinion. But the records in his office do show that Examiner Trimble has been insisting for five years that we dispose of these bonds, and the records of his office show that we have insisted that they were worth three times what we were carrying them at.

But, notwithstanding that, he continued to insist that we should sell them. That letter is signed by the board of directors of the United States Savings Bank. He recently, as he states, did write a letter out there asking the board to take such action as the facts of the matter warranted, or the situation demanded. But he never did say what they did warrant, nor what we should do, nor what the board should do. You remember, Senator Hitchcock, he said I fleeced my brother in Georgia, or I fleeced this bank, one or the other, but he never said which one was fleeced, and he never said what the bonds were worth. The only information I have as to the value of the bonds according to his information, is that Examiner Trimble was out there and examined me for about a week, and I asked him what he thought they were worth, and he said they were worth par. I had a loan on those bonds for 30 cents in the Union Savings Bank. Now they have changed front absolutely and say they are worth par, I suppose. I think they will be paid, absolutely.

Senator FLETCHER. Did the bank get 16 or 20 cents?

Mr. COOPER. The board of directors, under the guidance of Examiner Trimble, sold the bonds at the carrying price, which was about 20 cents, plus the loss of the loss of the paper which was in there on the Hurd National Bank, which had been charged off, and plus the taking out of a lot of other criticised paper. None of that he mentions in the circular letter which he has gotten out. That is, he may refer to it. He repeats exactly what he said, but you all remember just about what he said before the committee, as well as I do.

Senator HITCHCOCK. I would like to inquire, as I was not in here at the beginning of the session, whether it is the purpose of the committee to confine this now to new testimony that has developed since the last hearing?

The CHAIRMAN. New testimony. I do not know that it is confined to testimony which resulted since the last hearing, but anything that was not presented.

Senator HITCHCOCK. I assumed we did not want to go through the old story.

The CHAIRMAN. Not to repeat the old story.

Mr. COOPER. The point I am trying to make is that he has sought to destroy these banks by mailing out this literature. Under the Federal reserve law no examiners can give out information except under the orders of the comptroller, assuming that the comptroller is a man of probity and character and will not give it out unless it is for some good he can do the bank. But he is scattering it all over the country.

Senator HENDERSON. The executive hearings were made public, were they not, at the end of the committee meetings last session?

Mr. COOPER. No, sir. Part of Senator Weeks's testimony was, but none of the balance. It was marked "Confidential" on the printed pamphlet.

Senator HENDERSON. We held open hearings after the first few days, did we not, and all of that testimony went out to the public?

Mr. COOPER. No, sir. The record shows it was all confidential.

Senator HENDERSON. I will ask the chairman if it is not true that we decided to hold open hearings, and had open hearings for weeks?

The CHAIRMAN. I think you are right, Senator Henderson. Whether it applied to all the testimony or not, I am not certain.

Senator NORRIS. I think we had open hearings for a while, and then had an executive session.

The CHAIRMAN. For a while; yes.

Senator NORRIS. And Senator Weeks's testimony was, by special order of the committee, I think, made public. I may be mistaken.

The CHAIRMAN. I think you are right about that.

Mr. COOPER. The record shows that when I came in here and said that Mr. Williams was trying to intimidate the banks, and asked you to have an executive session, you held an executive session, and from then on until Senator Weeks got on the stand.

The CHAIRMAN. You had started to read that statement, Mr. Cooper. Have you gotten through with it?

Mr. COOPER. This is in the shape of an argument. I did not know whether you gentlemen wanted to hear it or not.

Senator FLETCHER. Is there any other new fact?

Senator NORRIS. Are you attempting to show there wherein this statement is erroneous?

Mr. COOPER. Yes, sir.

Senator NORRIS. Or creates a wrong impression?

Mr. COOPER. Yes, sir.

Senator NORRIS. I should think, if he has anything in that based on evidence, he ought to be allowed to show it.

Senator HENDERSON. Before we begin the argument, is there apt to be a vote on this question this morning?

The CHAIRMAN. I do not think so.

Senator HENDERSON. I received word from Senator Frelinghuysen yesterday, a member of the committee, that he wanted me to arrange for a pair with him in case there was a vote, and I will not be able to stay much longer now.

The CHAIRMAN. The other witness, Mr. Hogan, is engaged in court this morning, but he will come. I shall request him to come at the next meeting of the committee. I do not think there will be any opportunity of finishing to-day, if we are to hear Mr. Hogan.

Senator HITCHCOCK. Mr. Chairman, we are not getting anything of any value, and I think we are all in a hurry to get through.

Mr. COOPER. Does the committee desire any proof of these new charges about the railroad, the leasing of the railroad to the Government at \$600,000 a year, when it was a total loss? Of course, I do not want to tire the committee, if you gentlemen have made up your minds.

Senator NORRIS. I think we ought to have proof of the charges, of course.

The CHAIRMAN. You may proceed, Mr. Cooper, if you have anything there.

Mr. COOPER. The only way I can prove those charges is by subpoenaing witnesses up here.

The CHAIRMAN. Have you the witnesses where we can get them?

Mr. COOPER. They are in the city.

Senator NORRIS. Let us get them.

The CHAIRMAN. Unless there is objection.

Senator POMERENE. May I ask a question or two as bearing on that question? I want a little more light on this matter, so that we can ascertain whether or not the committee cares for that. Your charge, as I understand it, is that Mr. Williams, on the finance committee of the Director General of Railroads' staff, agreed to pay a certain rental to a certain railroad in Florida, and that this had been a losing concern for some years. That is right, is it?

Mr. COOPER. Not exactly. I did not say Mr. Williams had done it.

Senator POMERENE. You said he, with the committee, had done it.

Mr. COOPER. I said the committee had done it, and he by his act—I will give you the facts. I went to the Assistant Director General of Railroads' office the other day and got the files. He did not put them in my hand, but he had them in his hand, and he kept turning to them, and I asked him why it was they made this lease, and he said he did not know; that the road was hopelessly insolvent, as I had stated, and he kept turning the pages, and he found a notation, and he said, "Here is a note that the Director of Finances did not approve this. It was not submitted to him," or something like that. Some notation like that put in there. Manifestly Mr. Williams knew of it, or that notation would not have been in there, and by his act—

Senator POMERENE. Do not go off on a tangent. I want to get a certain fact, and allow me to get it in my own way. This railroad was presumably taken over, as a lot of other railroads were, by the Director General?

Mr. COOPER. Yes, sir.

Senator POMERENE. And he was authorized by act of Congress to do it. That is correct, is it not?

Mr. COOPER. That is the way I understand it.

Senator POMERENE. Having taken over this property, the Director General's office was required, under the law, to pay a certain compensation for the use of that property. That is right, is it not?

Mr. COOPER. It was not on a standard form. It was a special contract.

Senator POMERENE. I am not asking you about that. They had to pay a certain compensation for it?

Mr. COOPER. I do not understand the law as well as you do, Senator.

Senator POMERENE. I think I know something about it. I had something to do with the making of it.

Mr. COOPER. My understanding of the law was that they were to pay what the earnings of the road were for the three years previous.

Senator POMERENE. Your understanding is not complete. That was true as to certain other railroads, but there were certain other roads which were supposed to be insolvent, or not in a very prosperous condition, and the Director General and the companies were authorized to agree upon the compensation, and presumably some compensation would have to be paid for a property which was taken over by the Government. Then, the only question that could be raised was whether or not the Government paid too much if it took it over. That is all, is it?

Mr. COOPER. That is a matter of opinion whether it was.

Senator POMERENE. Is it your opinion that the Government paid too much?

Mr. COOPER. It certainly did.

Senator POMERENE. How much in excess of what would be a fair return did it pay?

Mr. COOPER. If it lost \$513,000 the year previous, and they agreed to pay \$88,000 a year net——

Senator POMERENE (interrupting). The property was of some value, was it not?

Mr. COOPER. It is a little road that runs from Augusta, Ga., to Madison, Fla. I think it must have been of mighty little value.

Senator POMERENE. The property was of some value, was it not?

Mr. COOPER. No, sir; utterly worthless, my information is.

Senator POMERENE. It served a community down there, did it not?

Mr. COOPER. Yes, sir.

Senator FLETCHER. What is the mileage?

Mr. COOPER. I really do not know.

Senator POMERENE. There is another question. I understand from your statement here that Mr. Barcus was to get this property?

Mr. COOPER. Yes, sir.

Senator POMERENE. The stock in this company that you speak of here. What was the name of the new company?

Mr. COOPER. Bureau of National Literature.

Senator POMERENE. Did this statement which you issued correctly represent the fact in that behalf?

Mr. COOPER. It certainly did.

Senator POMERENE. Which was to the effect that Mr. Barcus was to get all this stock?

Mr. COOPER. He was to get the stock, sure.

Senator POMERENE. On page 16 of this pamphlet, referring to the pamphlet to which you referred a moment ago, entitled "To the Bondholders of the Bureau of National Literature, by Wade H. Cooper, Washington, D. C., 1917," you say:

I want you to understand my plan thoroughly. I propose to have the whole plant advertised and sold, as provided by the terms of the mortgage, and appear there on behalf of all the bondholders who cooperate with me and buy it in, either for them or for a new corporation, which shall issue to them the same amount of bonds. Your position will be exactly the same in the new corporation, except you will have your pro rata part of the capital stock of the new corporation in addition to your bonds.

You are speaking of the prospective stockholders and bondholders. Note that language:

You will have your pro rata part of the capital stock of the new corporation in addition to your bonds, the stock to stand in your name and be voted by you until the bonds are paid, when the stockholders can turn the stock over to Mr. Barcus or keep it themselves, as they may elect, depending upon the length of time required to pay the bonds and all the circumstances connected therewith.

Was this statement correct?

Mr. COOPER. Yes, sir. That was a proposed new organization.

Senator WALSH. What do you propose to show by these witnesses; just what facts?

Mr. COOPER. In connection with the railroads—

Senator WALSH (interposing). That the lease was for too much?

Mr. COOPER. No. I only expect to show the facts I stated here, that the road was a losing proposition, hopelessly insolvent, in the hands of receivers for six years, and notwithstanding that fact, they proposed to give it \$88,000 a year.

Senator NORRIS. Do you propose to connect Mr. Williams with that?

Mr. COOPER. Only being the Director of Finance, that he was a brother of the receiver of the road.

The CHAIRMAN. He was a brother of the receiver of the road?

Mr. COOPER. Mr. Williams's brother, Mr. Langborn Williams.

Senator WALSH. I think, in view of that fact, we ought to have the witnesses, for Mr. Williams's own sake, if his brother was a receiver and he was a director and making a contract with him.

Senator HITCHCOCK. Who made the contract?

Mr. COOPER. I suppose the contract was made by the usual parties—the legal department.

Senator HITCHCOCK. Who are they?

Mr. COOPER. Judge Payne, I believe, is counsel. I do not know who makes the contracts—the Director General, I suppose.

Senator HITCHCOCK. You do not claim Mr. Williams makes the contracts?

Mr. COOPER. Mr. Williams, I understood, was Director of Finance, and was acting in an advisory capacity.

The CHAIRMAN. Mr. Williams knows all about it.

Mr. COOPER. He certainly ought to know. There was a notation put in there that he did not approve or submit to it or something. I do not know exactly what it was.

Senator HITCHCOCK. That Mr. Williams did not approve of the contract?

Mr. COOPER. Yes, sir. Some little notation put in the file.

Senator HITCHCOCK. You do not claim he made the contract, and you now say it was noted on the papers that he did not approve it.

Mr. COOPER. No; I say there was some little notation in there that it was not submitted to him for approval or something. I could not tell you unless I saw and read it.

Senator HITCHCOCK. So you do not charge he either made the contract or approved it?

Mr. COOPER. I charge by his act he ratified and approved it—acquiesced.

Senator HITCHCOCK. What was that statement you just made—that it was not submitted to him for approval?

Mr. COOPER. There was a notation which the Assistant Director General read to me. There was a notation in the file to the effect that it was not submitted to him for approval. I am not undertaking to give his exact language.

Senator HITCHCOCK. Is it your purpose to prove it was submitted to him for his approval?

Mr. COOPER. No, sir; that by his act he acquiesced in it, and by his act approved it, and ratified it.

The CHAIRMAN. What witnesses would be able to enlighten the committee?

Mr. COOPER. I think it was made under Mr. McAdoo's administration. Oscar Price was his assistant, but he has gone. Mr. Hines is Director General, and I suppose he could tell you more about it than anyone else.

Senator HITCHCOCK. I am wondering why you charge him with responsibility, come before this committee and say that Mr. Williams has been guilty of culpable conduct, when you also tell the committee that he did not make the contract, and that you found, on an investigation, that the papers showed that it was not submitted to him for approval. What is the force of your charge?

Mr. COOPER. I said he was the Director of Finance of the United States Railroad Administration, and by his acquiescence he ratified and approved it.

Senator POMERENE. What did he do?

Mr. COOPER. By doing nothing, not opposing it.

The CHAIRMAN. Could they have gotten the money without his approval?

Mr. COOPER. I do not know.

Senator HITCHCOCK. You claim that in his place he was the proper one to make the contract?

Mr. COOPER. I do not know. I do not know who makes the contracts. I do not know who signs them. But I am telling you that as director of finance he ratified and approved the contract, with his acquiescence in it, which was wrong.

Senator HITCHCOCK. But if he did not make the contract and did not approve the contract, and it was a legal contract, and he merely paid out the money, where is his culpability?

Mr. COOPER. He can approve by standing by, being silent, without signing his name.

Senator HITCHCOCK. As Director of Finance, he is required to pay out any money due under a legal contract. Do you claim that this was not a legal contract?

Mr. COOPER. No, sir. I claim it was an immoral contract.

Senator HITCHCOCK. It was made by the proper people, was it not?

Mr. COOPER. I do not know who made it.

Senator HITCHCOCK. I want to know why you charge the comptroller with responsibility—

Mr. COOPER (interrupting). Because he stood by—

Senator HITCHCOCK (interrupting). Wait a moment. I want to know why you charge the comptroller with responsibility, when you do not charge that he made the contract, and when you admit specifically that the papers show that he did not even approve it.

Mr. COOPER. Because he stood by and acquiesced in it.

Senator WALSH. How did he acquiesce?

Mr. COOPER. By his silence.

Senator HITCHCOCK. I say there is nothing to call any witness on here.

The CHAIRMAN. I do not know. If there was collusion, it would not necessarily appear in writing in there. If there was an acquiescence on the comptroller's part, and it was a contract which he must have known about, and knowing about should have prevented it, it may be important.

Senator HITCHCOCK. Suppose the legal parties make a contract, there is nothing for the Director General to do except to pay out the money under the contract. If there was any charge here by this witness that the comptroller had induced the contract, or that he had approved the contract, it would be different. But his direct personal admission is that he neither made the contract nor even approved it or ever saw it. If this committee is going to spend its time in looking up witnesses on such vague contradictory testimony—

The CHAIRMAN. The situation is this: Mr. Williams's brother was receiver of this road, and according to the testimony of the witness the road was insolvent, practically worthless, and the amount of money paid by the Government was unreasonable, and Mr. Williams, as Director of Finance, must have known that it was an unreasonable payment, and just what his connection with it was, of course, does not appear to the committee. It might have been an improper connection, and it might not.

Senator HITCHCOCK. Does the chairman know whether the Director of Finance has anything to do with the making of contracts?

The CHAIRMAN. I do not.

Senator FLETCHER. Why not ask Mr. Williams about it? He is here.

Senator HITCHCOCK. I have not any objection, if they want to go into it.

The CHAIRMAN. I have no objection to Mr. Williams making any statement that he chooses to make at this time.

Senator HITCHCOCK. Let me finish up with this witness first. I suggest that.

Mr. COOPER. I was asking if you wanted any proof on that proposition? If you did, we would have to subpoena the director or assistant director, and let him bring that file over here, and we could see who made that contract, how it was made, when it was made, and why it was made. I have no access to the files. The same way with these overdrafts at the commercial National Bank. I think that shows the reason Mr. Williams showed such resentment against the charges against his examiner.

Senator FLETCHER. The Director General ought to know about it.

Senator HITCHCOCK. Why not ask Mr. Williams, or let some member of his committee inform us, just who the legal parties were who made contracts.

The CHAIRMAN. I have no objection.

Senator HITCHCOCK. Mr. Williams, what did the Director of Finance have to do with contracts such as this witness has referred to here?

Mr. WILLIAMS. I take pleasure in informing you that I never read or advised in regard to that contract at any time.

Senator HITCHCOCK. We have asked you who makes these contracts—what officer of the Government makes such a contract?

Mr. WILLIAMS. The Director General.

Senator HITCHCOCK. Who advises or consults with him?

Mr. WILLIAMS. His staff.

Senator HITCHCOCK. Who are his staff?

Mr. WILLIAMS. His staff is composed of the directors of the different divisions of the Railroad Administration.

Senator HITCHCOCK. Were you a member of that staff?

Mr. WILLIAMS. I was a member. I was Director of Finance and also Director of Purchases.

Senator HITCHCOCK. So that in making a lease of any railroad you would be consulted with others by the Director General?

Mr. WILLIAMS. Ordinarily.

Senator HITCHCOCK. In this particular instance what was your attitude and position?

Mr. WILLIAMS. I never even read the contract, knew nothing of it, never advised in regard to it, and absolutely kept away from it. I was not even familiar with its conditions.

Senator HITCHCOCK. Why?

Mr. WILLIAMS. Because certain members of my family had been interested largely in that road, and for that reason I wanted to avoid having anything whatsoever to do with it.

Senator HITCHCOCK. What public action did you take to indicate that you had nothing to do with this contract?

Mr. WILLIAMS. I so advised the Director General that I would prefer not to have anything to do with it, and the contract was approved at a meeting of the staff at which I was not present and I did not even know it would come up at this meeting.

Senator HITCHCOCK. Was a notation made of that fact on the records such as the witness has described?

Mr. WILLIAMS. I have never been over the records.

Senator HITCHCOCK. Your attitude is that you took the position of having nothing to do with it?

Mr. WILLIAMS. Nothing whatever.

Senator HITCHCOCK. Because of the fact that it involved——

Mr. WILLIAMS (interrupting). One of my brothers was receiver of the road.

Senator HITCHCOCK (continuing)—an agreement of the Government with some people who were related to you by blood?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. You say you did advise with the Director General?

Mr. WILLIAMS. No; I declined to advise with him in the subject.

The CHAIRMAN. Just tell the committee what the conversation was that you had with the Director General with regard to this matter.

Mr. WILLIAMS. I simply stood off. I declined to have anything to do with it.

The CHAIRMAN. But you had a conversation with him when you declined to have anything to do with it.

Mr. WILLIAMS. It was understood that I preferred not to be consulted in regard to that contract, or to give any advice on it.

The CHAIRMAN. How was it understood? Just what did you say to the Director General? You talked with him about it.

Mr. WILLIAMS. I talked to him frankly, simply gave him to understand that I did not care to discuss or pass upon that contract. That was all. I never made any suggestion as to whether it should be one figure or another.

The CHAIRMAN. How was the contract brought to your attention?

Mr. WILLIAMS. It was not brought to my attention. It was studiously—at my request and desire it was kept away. It may, in a perfunctory way, have been sent to me as one of the directors. If it was, it was sent back without being read.

The CHAIRMAN. Maybe it was sent to you?

Mr. WILLIAMS. It may have been sent to my office, but, as I say, I never even read the contract and was not familiar with its provisions.

The CHAIRMAN. How was your attention first called to this contract?

Mr. WILLIAMS. I do not think my attention ever was called to it especially. It was known I had at one time been connected with the road, 10 years ago.

The CHAIRMAN. Yes; but you did tell the Director General that you did not want to know about the contract?

Mr. WILLIAMS. I should be very glad to look over my letter book and see if I wrote him any letter expressing that in writing, and making it a matter of record, or simply expressed to him my preference not to have anything to do with that particular transaction.

The CHAIRMAN. Whether it was in writing or was had orally, what did you say to him?

Mr. WILLIAMS. I simply expressed a desire not to be consulted or to discuss that contract.

The CHAIRMAN. Do you remember how it was brought to your attention?

Mr. WILLIAMS. I do not. In fact, I was so particularly careful not to have anything to do with it, that I do not think it was brought to my attention particularly. I know that it was never considered by me or discussed by me.

The CHAIRMAN. If it had not been brought to your attention, how did you come to volunteer the refusal to have anything to do with it?

Mr. WILLIAMS. I knew that the matter was coming up. The contracts with all the railroads of the country were coming up and were being considered at the staff conferences from time to time, and I think at a meeting of the railroad conference some months ago the minutes will show that at the previous meeting some contract with the Georgia & Florida Railway had been passed upon by the staff. But I think it might be well for me also to make the committee understand that the action by the staff is simply advisory. The determination is purely with the Director General.

Senator POMERENE. Did you, directly or indirectly, make any suggestion to either the Director General of Railroads or any of the staff as to what compensation should be paid to the receiver or to the railroad company for their property?

Mr. WILLIAMS. Never at any time.

Senator POMERENE. And you knew, of course, that your brother was the receiver of that railroad?

Mr. WILLIAMS. He was one of three receivers.

Senator POMERENE. You knew also that the Director General having taken over that property, some compensation would have to be paid to the receivers for the use of it?

Mr. WILLIAMS. Presumably.

Senator POMERENE. And because of your brother's interest in it, you had nothing to do either directly or indirectly with the fixing of the compensation for that property?

Mr. WILLIAMS. Nor with any portion of the contract.

Senator POMERENE. Or with the making of the contract?

Mr. WILLIAMS. Or with the making of the contract. I will also state here that my general knowledge of that situation is that the figures given by the witness were grossly inaccurate. I think he stated that the deficit immediately prior to the taking over of the road was \$500,000. I am not familiar with it. I have not charged my memory with it, but my impression is that not only was there no such deficit, but that the earnings of the road for the year prior to its taking over were approximately as much as was allowed by the Director General.

Senator POMERENE. Whether the road was insolvent or not, the Government having taken over the property would have to pay some compensation?

Mr. WILLIAMS. Had to pay a proper remuneration to its owners.

Senator HITCHCOCK. Have you any financial interest in the road or any of its securities?

Mr. WILLIAMS. A negligible interest. I think I have an interest worth probably four or five thousand dollars, which was not purchased by me, but taken in settlement of an obligation some months ago.

Senator CALDER. You say you were connected with the road some ten years ago?

Mr. WILLIAMS. Yes, sir.

Senator CALDER. In what capacity?

Mr. WILLIAMS. I was president of the road at the time of its construction and for several years thereafter. I think it was built about 1907, and the few years succeeding. I think I retired from the presidency about 1910 or 1912.

Senator CALDER. Were you a director of the road after that?

Mr. WILLIAMS. When I came on to Washington I retired from all corporate interests of every sort. I retired from the firm of which I had been a member, and from all directorships in banks and trust companies, and parted with all of my interest in every operated bank and trust company. I was not required to do that, but I thought it the best thing to do.

Senator HITCHCOCK. What has been the practice of the Director General in regard to the roads which have been in the hands of a receiver, or been operating under a deficit? Has the compensation paid been such as to wipe out the deficit?

Mr. WILLIAMS. Each road is considered upon its merits. You may find some cases where there may, for the three-year period, have been a very small return, or no return. But we may find that in one of those three years the road may have been subjected to exceptional conditions, like a drouth or a storm, or a flood, which may have wiped out all earnings for that year. In cases of that sort the Director General sometimes feels it is proper to take, instead of the three years, 1915, 1916, and 1917, some other year as a fair measure of the returns of the road. For example, if a road has been making a million dollars a year right along, and in 1915 met with misfortune or trouble of one sort or another and made no earnings, it might be thought fair to take some other year, 1912 or 1913, when conditions were more normal, and would establish an average on some such basis as that.

Senator HITCHCOCK. The Director General has that latitude, has he, under the law?

Mr. WILLIAMS. There is a certain latitude he has.

The CHAIRMAN. It is now pretty nearly 12 o'clock, Senators.

Senator FLETCHER. What is the length of that road, Mr. Williams?

Mr. WILLIAMS. I think the road operates about 450 miles, if I remember correctly.

The CHAIRMAN. I assume the committee will not want to continue this hearing after 12 o'clock.

Senator HITCHCOCK. No.

The CHAIRMAN. I would like to know what the pleasure of the committee is with regard to the next meeting.

Mr. WILLIAMS. May I finish, Mr. Chairman?

The CHAIRMAN. You will have plenty of opportunity, Mr. Williams. If the committee will leave the next meeting subject to the call of the chairman, I will undertake to get any other individuals who wish to protest this nomination.

Mr. WILLIAMS. I ask earnestly that the meetings be all open meetings. If any charges are to be made, I want them made openly and above board.

The CHAIRMAN. This meeting is an open meeting.

Mr. WILLIAMS. I hope all of the meetings will be open.

(Thereupon at 11.55 o'clock a. m. the committee adjourned subject to the call of the chairman.)

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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY,
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS,

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 2

Printed for the use of the Committee on Banking and Currency



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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

WEDNESDAY, JULY 9, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to call, at 10.15 o'clock a. m., in the committee room, Senate Office Building, Senator George B. McLean, presiding.

Present: Senators McLean (chairman), Calder, Newberry, Fletcher, and Henderson.

Present also: Hon. Louis T. McFadden; Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. J. J. Darlington, Mr. Frank J. Hogan, Mr. Wade H. Cooper, Mr. A. E. Jones, and others.

The committee had under consideration the nomination of Mr. John Skelton Williams as Comptroller of the Currency.

The CHAIRMAN. Mr. Hogan, you understand the matter before the committee is the nomination of Mr. Williams as Comptroller of the Currency. As I understand it, you have had a copy of the testimony?

Mr. HOGAN. I have.

The CHAIRMAN. You can make any statement you wish to the committee in regard to those proceedings, or any other matter affecting Mr. Williams's official conduct.

STATEMENT OF MR. FRANK J. HOGAN, OF WASHINGTON. D. C.

Mr. HOGAN. Mr. Chairman and Senators, my name is Frank J. Hogan. By profession I am an attorney at law. I am a member of the bar of the Supreme Court of the United States, of the courts of the district of Columbia, and of several other Federal courts. In association with Mr. J. J. Darlington, I am one of the general counsel of the Riggs National Bank, and I have been of counsel for that bank since the summer of 1914.

The Riggs National Bank, as such, has no protest to make and requests no hearing in regard to the nomination of John Skelton Williams now pending before this committee. But at a hearing before the Senate Banking and Currency Committee during the last Congress, the question of Mr. Williams's official conduct with respect to the Riggs National Bank and its officers since his first appointment as Comptroller of the Currency was brought into the record by Senator Weeks, of Massachusetts, and in the report of those hearings is found the expression of several Senators, members of this committee, that they desired, before they passed upon Mr. Williams's

nomination, to hear the Riggs Bank's side of the famous or notorious controversy between that bank and Comptroller Williams. In response to that, the then chairman of the committee, through his clerk, Mr. Beller, requested my appearance before the committee. Senator Weeks likewise requested that I appear. Imperative professional obligations which required my attendance upon a trial in New York at that time prevented my being here.

I received recently from the present chairman of the committee, Senator McLean, a request to appear this morning, and I consider it the performance of a duty, public in its nature, by me personally to come here. I have had no instructions from the bank or any of its officers. So far as I know, its board of directors do not know of my appearance. So what I have to say is not what the bank says, but what I individually say.

In 1836 W. W. Corcoran, the man who founded the Corcoran Art Gallery, the Louise Home, and various well-known charitable institutions in this community, in association with Mr. George W. Riggs, formed the private banking firm of Riggs & Co.

From 1836 to the present day Riggs & Co.—or, as in the course of time it became known, Riggs Bank—has been the foremost financial institution of the National Capital. For the first 60 years of its existence it was a mere copartnership, first composed of Corcoran & Riggs and later composed of Corcoran and, when Mr. Corcoran died, of Riggs; Mr. Charles C. Glover, who came into it as a boy; Mr. Francis Riggs; Mr. Hyde; Mr. Johnson; and other gentlemen whose names it is not now important to recall.

It did a world-wide business. It was always prosperous. At no time in its existence was there a question of its solvency. At no time in its existence did the men who conducted it hold other than the highest positions in this community and in the Nation generally.

In 1896, 60 years after it had been formed in this community as a private banking house, it took out a national charter, with a capital of \$500,000. That charter, as you Senators know, was, under the law, for a term of 20 years, and under the law its renewal at the expiration of the first term of 20 years rested in the discretion of the Comptroller of the Currency.

At first the Riggs National Bank was conducted by the same group of men who had formed the firm of Riggs & Co. From 1840, or thereabouts, down to 1913 the Riggs Bank had been the depository and the individual bank of every President of the United States during his term in the presidency. It had been the leading depository for every one of the big foreign embassies and ministries. It did a world-wide business in addition to a nation-wide business.

Its relations with men in public life necessarily led to the ordinary banking transactions between those men in public life and itself, it not then having been considered that because it happened to occur to anyone that because one was a Cabinet officer or Senator of the United States he could not have the ordinary legitimate connections with his bank that any other person would have.

When the firm of Riggs & Co. was in existence, because of the non-commercial character of the city of Washington, its main business was the taking care of investments which represented either the surplus money of wealthy persons or the savings of persons in the more

humble walks of life. Mr. Charles C. Glover, who had been the guiding spirit for a great many years, a man now past 70, always very strongly advised customers of the firm of Riggs & Co. to invest their money in first-mortgage notes, well secured on real estate, but if customers of Riggs & Co. desired it Mr. Glover and the members of that firm attended to the purchase of stocks and bonds for the customers of the bank. So that when they turned into a national banking institution in 1896 the overwhelming majority of its business was that business which was represented by what we call real estate notes, or notes secured on real estate, and business which was represented by notes collaterally secured by stocks and bonds as distinguished from business which was represented by unsecured notes, having merely the name of the maker, or the maker and indorsers, thereon.

The Treasury Department was frankly informed that it would take quite some time for the assets of Riggs & Co. to be so regulated as to conform to the restrictions of the national-bank act. For instance, Riggs & Co. owned, as it had a right to own, quite a large number of very high-class local stock securities, and rather than sacrifice those it was arranged with the Treasury Department that they could from time to time, when the market permitted, dispose of those securities to the advantage of the bank and its assets.

Under the national banking law a national bank had no right to lend money directly on real estate, and under the construction of that law by the office of the Comptroller of the Currency a national bank had no right to lend money on notes which were secured by real estate notes. For instance, if John Jones owned a note for \$5,000 that was collaterally secured by a first mortgage on a building worth \$50,000 and he wanted to borrow \$4,000 and went to a national bank and gave his personal note for \$4,000 and gave the \$5,000 real estate note as security the comptroller's office held that was within the prohibition of the law. The comptroller's office erroneously so held, because subsequently, in about the year 1906, the United States Supreme Court, whose conclusions on that subject are binding both on banks and the comptroller, held that the comptroller's office and the Treasury Department had been all wrong in that construction and that a national bank had a perfect right to lend money on personal notes, even though those personal notes were buttressed and secured by real estate notes. I make that as a preliminary statement, because over all of the controversy that arose in 1914 and around it all the transactions growing out of loans collateraled by stocks and bonds and the transactions growing out of loans collateraled by real estate notes until recently gave that bank the position of having more loans than were not only secured by the maker's good faith and the maker's name, but were secured by collateral, than any bank in this community. That was the situation in 1914 and was the situation in 1913.

In 1913, while Mr. John Skelton Williams was Assistant Secretary of the Treasury, and while the office of Comptroller of the Currency was temporarily vacant as a result of the expiration of the term or resignation of Mr. Lawrence O. Murray, who had for a number of years been Comptroller of the Currency, and while apparently Mr. Williams was performing many of the functions of the comptroller's office, there occurred in this city the failure of the United

States Trust Co. I use the term "failure" in its popular signification. For some time it was well known in financial circles in the city that the United States Trust Co. was in a precarious financial condition. The bank examiners made a long list of its criticizable paper.

Mr. Glover, the president of the Riggs National Bank, had occasion, on business connected with his bank, to go to Mr. Williams's office, and he was subjected there, in the presence of various persons interested in the United States Trust Co., then in this condition I have described, to interrogation regarding the character of the notes which that company held and asked by Mr. Williams to give his (Mr. Glover's) opinion with respect to the makers of those notes. Mr. Glover declined to be placed in that position.

Some time after that a run on the United States Trust Co. occurred in this city—and I use the term "run" in its popular signification. Long lines of people formed on the streets in front of its various branches. Mr. Chairman, it was a trust company whose business was done largely with savers, or persons of small means, and they were naturally very much affrighted over the condition, and this run began.

At the time of the run negotiations were said to be under way for the acquisition of the United States Trust Co. and the saving of its assets and its deposits by two local trust companies, the Continental Trust Co., of which former Senator Nathan B. Scott was then and is now president, and the Munsey Trust Co., established in this city shortly theretofore by Frank A. Munsey, the newspaper man. Midnight conferences resulted in the taking over of the United States Trust Co. by the Munsey Trust Co.

The Munsey Trust Co. had a like organization in Baltimore and other cities. Lancaster Williams, a brother of John Skelton Williams, was a director in one of the Munsey trust companies, as I am informed, and he was an active participant in the negotiations whereby the United States Trust Co. was taken over by the Munsey Trust Co. in this city.

Mr. John Skelton Williams arranged—and in this I think he did a thing that was, so far as the act itself was concerned, eminently proper—to endeavor to use the resources of the Treasury Department to reassure the depositors of the United States Trust Co., and he did that in this way: I think the law was violated, but again I say I think the action was commendable in some respects. Under the law you understand that moneys from the Treasury could not be deposited in trust companies or savings banks in this city. They could only be deposited in the national banks which had been designated as United States depositories. He arranged to deposit \$1,000,000 ostensibly, but not in fact, in 11 national banks in this city, 10 of them taking \$100,000. There was some odd amount of money, I remember. He arranged to make that deposit as I say, ostensibly, but in fact the money was transferred directly from the Treasury Department to the various branches of the United States Trust Co. on which the run was then made. The national banks never received the money. Those banks could, after they got the money, of course, have deposited that in the trust companies at their risk.

On the day that was done, Mr. Lancaster Williams, who was not a government official of any kind so far as I have ever been in-

formed, but who was interested in Munsey's acquisition of this trust company, appeared at the various national banks to get receipts from them for their quota of this deposit for the Treasury Department. Subsequent to that time, Senators, there was sent to each national bank in this city a form of receipt to be signed by them. For instance, take one of the banks which received \$100,000, the Federal National Bank. It was charged with having received from the United States Government a deposit of \$100,000, which money, as everybody knew, was simply to save the United States Trust Co.—Munsey Trust Co.—situation, and yet there was received from the Treasury Department by the Federal National Bank and other banks a form of receipt requiring those banks to certify that the money was deposited with them for movement of crops, a palpable false certification.

The banks took counsel, and declined to send to Mr. Williams's office a receipt certifying that they had received a million dollars for the movement of crops, when that million dollars was received only to help out the Munsey Trust Co. situation at that time. All of those receipts were afterwards called in, and none of them are now available to exhibit to the committee.

After the transfer to the Munsey Trust Co. of the United States Trust Co. there appeared in the New York Tribune a series of articles criticizing the action of Assistant Secretary of the Treasury John Skelton Williams in connection with the Munsey Trust Co. transfer. I read those articles at the time. I think they are some part of one of the documents before the Senate now. I heard them denounced as malicious falsehoods, but I have never known of any fact in them to be pointed out as false. Those articles were written by a well-known newspaper man of this city, who for many years has been and is now a member of the Senate gallery, Mr. George Griswold Hill, a man who had the confidence, to my certain knowledge, of two Presidents of the United States and of every man in public life with whom he had come in contact.

Mr. McAdoo, the then Secretary of the Treasury, called before him Mr. Charles C. Glover, the president of the Riggs National Bank, and in the presence of Mr. John Skelton Williams charged, in effect, that Mr. Glover or his bank had instigated the publication of these articles which criticized Mr. Williams. Mr. Williams was not only a public official, but he was at that time either known to be a candidate for, in the sense that the public understood he was going to be appointed, or his name had been actually sent to the Senate as Comptroller of the Currency; I do not remember which. He was mentioned prominently as the man who would be comptroller, and these articles pointed out his official conduct in connection with the Munsey Trust Co. as a subject of criticism for consideration with respect to his qualifications for the office of comptroller.

As I say, Mr. McAdoo, Mr. Williams being present, summoned Mr. Glover and charged that the Riggs Bank, or Mr. Glover, or the bank's officers, had instigated this publication. Mr. Glover denied emphatically that any such thing had occurred, and stated on his word that the first he knew of the article which was exhibited to him was when he, in common with others in this city, saw it, because the newspaper was sold rapidly, having an article of such general local in-

terest. Mr. Glover was then informed by the Secretary, in Mr. Williams's presence, that if he had not instigated the publication, one of the vice presidents, either Mr. William J. Flather or Mr. Ailes, had. Mr. Glover suggested that the fair thing was to ask those gentlemen to come over and let them speak for themselves.

Mr. Flather and Mr. Ailes were called in. This, so far as I know, was the first of several hearings. It has since become the habit, if any newspaper man so far transgresses Mr. Williams's idea of propriety as to criticize the comptroller, to hale him before the bar of that officer's office, as I will show you gentlemen in a little while, and put him upon trial *ex parte*.

Mr. Flather denied that he had any knowledge whatever of the publication of these articles. Mr. Ailes denied that he was in any wise responsible, but stated, in substance, as I now recall it, that the newspaper man who had published them was well known to him, and he had talked to him about some aspects of the facts in that regard.

Thereupon a controversy occurred between Mr. Ailes and the Secretary, Mr. Williams taking some part, that I do not now recall, as a result of which Mr. Ailes, who had become a director of the Seaboard Air Line about the time that Mr. Williams left the directorate of that organization, stated to the Secretary, perhaps in rather forcible American fashion, that he saw no reason why he should be accused practically of falsehood when he had come to the Secretary's office at the Secretary's request, to make a statement, whereupon Secretary McAdoo, in Mr. Williams's presence, shaking his finger at Ailes, said, "God damn you, I will have you kept out of this building."

The CHAIRMAN. Who said this?

Mr. HOGAN. Secretary McAdoo. This was over the criticism of Williams. Senators who have had occasion, during Mr. McAdoo's term of office, to visit the office of the Secretary of the Treasury, will recognize the language as that which characterized Mr. McAdoo's rather forcible way of addressing anyone.

Then Mr. McAdoo, in Mr. Williams's presence, this being in 1913, turned to Mr. Glover and said—all this being a matter of sworn public record—"You know, Mr. Glover, what this means to Riggs National Bank." We found out later what it meant.

Shortly after that the then Senate Committee on Banking and Currency had before it the nomination of John Skelton Williams as comptroller, and there appeared before that committee Mr. William J. Flather, of the Riggs National Bank, and Mr. Milton E. Ailes, also of the Riggs National Bank. Mr. Flather at that time was also president of the Washington Clearing House Association. They presented, at the request, as I understand it, of the committee, and as I am doing to-day, subject, perhaps, to what Senator Weeks and Mr. Cooper got for coming before your committee before, their statements with respect to the reasons why Mr. Williams should not be confirmed. I do not now recall that any officials of any other bank appeared to oppose Mr. Williams at that time.

After the hearing, according to a statement made by Senator Weeks, and confirmed in part in the hearings before this committee in February last, where he again says he asked Mr. Williams—Senator Weeks addressed Mr. Williams and asked him, if he was con-

firmed as Comptroller of the Currency, whether he could lay aside these reputed animosities; whether, for instance, in the case of the Riggs National Bank, he could lay aside the fact that the officers had appeared before you, and could conduct the office of the Comptroller of the Currency in a manner fair to that bank, as well as to all other banks, and he solemnly and fervently assured the Senator that he could.

The first occasion, after Mr. Williams entered the office of comptroller, that the Riggs National Bank had to take up any matter with the Treasury Department, occurred in the month of May, 1914. Our local situation, Senators, is different from that you will find in any of your communities, and for a brief minute I will bore you by calling attention to one of those differences.

In a city in any State of this Union from which any of you gentlemen come, when the local taxes on real estate and personal property are paid to the collector of taxes, the moneys paid in to the collector are deposited in the banks of the community, and then are checked out to pay the municipal or county debts. That naturally prevents a financial stringency in a community caused by large tax payments at one definite time in the year. It prevents any disturbance in the financial equilibrium of the community.

That is not possible in Washington, by reason of the fact that our municipal corporation is a mere left hand to the general Federal Government. The law requires that all taxes—and many millions of dollars are paid here—when paid to the local collector of taxes, must be deposited in the United States Treasury, therefore taking at one time in the year, the month of May being the big tax month, from this noncommercial, nonfinancial community, a very large amount of money, taking that entirely out of circulation and locking it up in the Treasury vaults.

Because of that condition, many years ago Mr. Charles C. Glover suggested to the Treasury Department that in the month of May, when taxes were paid, it would be well for the Treasury Department to then deposit with the local national banks a sum equivalent to the tax collected in the District of Columbia, and in order to make that entirely fair, to apportion that distribution of deposits on the basis of the individual deposits which each national bank had according to its last reported condition to the comptroller, it being assumed that if Bank "A" had twice as many deposits as Bank "B," its depositors would probably withdraw twice as much to pay taxes as the depositors of Bank "B."

That plan was adopted, and for something like 15 years or more prior to 1914 each bank had received its pro rata of what we know as the tax-fund deposit.

Then the national banks, in turn, had a right to deposit in trust companies, which the Treasury could not do directly, a sum which would help out the trust companies' deposits during that time.

In 1914 the list for deposits of moneys representing the equivalent of local taxes was made out and submitted to the Secretary of the Treasury. It was the first time that any action came before that officer or Mr. Williams, so far as I know, after the quarrelsome matters I have called attention to, that would affect the Riggs National Bank.

At that time the Riggs National Bank was in a condition of unquestioned solvency and of splendid repute. Mr. Williams in this book [indicating] said he had nothing to do with the deposit of funds. But the fact is that since 1914, while Mr. Williams has not been the man who made the deposits, he has had recommending powers and supervisory control over what banks shall be designated to receive public moneys.

From the list of the banks in which these moneys were to be deposited, after it was submitted to the Secretary of the Treasury, and, as we understand, by him to the then Comptroller of the Currency, the name of the Riggs National Bank was stricken off, and the one million and odd dollars that was to be deposited, as per universal custom, in the Riggs National Bank, was not deposited in any local bank.

The CHAIRMAN. Mr. Hogan, I think the comptroller did admit on cross-examination, or in response to questions asked him by members of the committee, that he did confer with Mr. McAdoo with regard to the deposits.

Mr. HOGAN. If you will read it, Senator, you will find that after a corkscrew cross-examination that inference might be drawn, but that there was repeated denial that he had anything to do with depositing money.

Senator HENDERSON. Who had the final power and authority in such cases?

Mr. HOGAN. The Secretary of the Treasury. He had the final power and authority, but, like so many things that a Cabinet officer does that is formal, he in name was the man, but, as we will show you, Senator, and as is perfectly plain to any man who really wants the facts, there was not anything regarding the Riggs National Bank, from that time on until the combination and the interlocking of the then Secretary of the Treasury and the Comptroller of the Currency, that was not obvious and patent, so much so, Senator, that in a case I am going to call to your attention in its chronological order, the prosecution criminally of three of the officers of the Riggs National Bank, a subpoena duces tecum, a subpoena to bring papers, issued out of the Supreme Court of the District of Columbia to John Skelton Williams commanding him to produce in that court the correspondence that passed between William G. McAdoo and John Skelton Williams on the subject of the Riggs National Bank, was never complied with, and although we issued the subpoenas at least twice in that case, and we got official papers, we were never able to bring into that court, even under the power of the subpoena of the court, the correspondence that passed between Williams and McAdoo in regard to the Riggs National Bank. The inference, of course, is clear, that the disclosure of that correspondence would show what we constantly charged, that there was a deliberate conspiracy resulting from this malicious enmity that started with the New York Tribune's bold criticism of these public officials, which resulted in a direct attempt to besmirch, if not ruin, the Riggs National Bank.

The CHAIRMAN. Why were your subpoenas not complied with?

Mr. HOGAN. We could never get to it because, as the trial turned out, the Government's case was so flimsy that in the tremendous amount of stuff we were doing, we lost sight of it later. They were

first complied with in part. Certain public documents were brought. Then I demanded to know why Mr. Williams did not come into court, and they said Mr. Williams would come into court when he was wanted, that he was in the courthouse. In other words, when we subpoenaed John Skelton Williams he got as far as upstairs—we were trying the case on the first floor—and the district attorney brought the papers. We never even had him as an exhibit before the jury.

Senator HENDERSON. Was there ever any such correspondence between them?

Mr. HOGAN. It was never said that there was not. We called for it.

In connection with the tax matter I started to tell you about, Mr. Glover, on May 6, 1914, wrote to the Secretary of the Treasury and called his attention to this tax practice and the fact that in this distribution the Riggs National Bank was alone omitted, stated that it looked very much like discrimination, and requested to be informed why that discrimination. That was the first letter. For 19 years, gentlemen, this volume which I hold in my hand—

Senator HENDERSON. What is that?

Mr. HOGAN. File of correspondence between the Comptroller of the Currency and the Riggs National Bank from August 29, 1916, to November 19, 1913. For the 18 years, from the summer of 1896 to the summer of 1914, that volume represents printed reproductions of all communications from the Comptroller of the Currency to the Riggs National Bank, and from the Riggs National Bank to the Comptroller, that little volume of 78 pages.

Senator HENDERSON. Who issued that?

Mr. HOGAN. This is simply what we printed for convenience, we took our files and printed them, which caused us to get into some trouble, as I will show you in a little while also. So that in 18 years the Treasury Department found it necessary to write what can be printed in 77 pages.

In the next nine months after Mr. Glover wrote and asked about the tax matter the correspondence between the comptroller's office and the Riggs National Bank, including two letters between the Secretary of the Treasury and the Riggs National Bank, is represented in these two volumes, except that this is only partial, because the comptroller required and received reams and reams of paper giving statistical information, that would have cost a small fortune to print.

Senator HENDERSON. For the sake of the record will you tell what those two volumes are?

Mr. HOGAN. Yes, sir. Volume No. 1 is entitled, "File of the correspondence between the Riggs National Bank, the Secretary of the Treasury, and Comptroller of the Currency, May 6, 1914–November 14, 1914," and consists of 295 printed pages. Volume No. 2 is a file of the correspondence between the same from November 19, 1914, to April 23, 1915, and consists of pages 297 to 516. In other words, there were 516 printed pages, statistical tables being omitted which would probably cover as many more pages, that went from the Treasury Department, the comptroller's office, to the bank and back in that nine months.

As to the condition of the Riggs Bank when this thing started: This is what we "drew," if I may use a phrase that I think we all

understand, because we had what in another connection Mr. Williams referred to as the temerity to ask why we were discriminated against. I will tell you in a little while what he said about temerity.

At the time that correspondence started, Mr. Williams had written to Mr. McAdoo the one letter on the subject we do know he wrote Mr. McAdoo, because it appeared subsequently in the court proceedings, pointing out to Mr. McAdoo that there was no necessity for depositing money in the Riggs National Bank, the tax funds; that it could not possibly interfere with the financial conditions in the city of Washington to withhold those funds from Riggs, first, because Riggs did not lend money, as a rule, on commercial paper; and, secondly, because, as he showed from officials report, Riggs had so much money on hand, and it was in such a good condition, that it could not even disturb or hurt that bank not to get those deposits. I call your attention to that fact as showing that in May, 1914, Williams knew officially and informed his superior of the splendid, unshakable financial condition of the Riggs Bank at that time.

We did not get a response from Mr. McAdoo to the letter of May 6 until June 11. As I say, it subsequently transpired that between those times there was correspondence, however.

Senator HENDERSON. May 6, 1914?

Mr. HOGAN. Yes, sir; until June 11, 1914. In that letter Mr. McAdoo said that on account of his absence the letter had not received earlier attention. He also said that the Riggs National Bank does a relatively small commercial business, and he thinks that Government deposits could be made with greater benefit to the community if placed in a bank that did a larger commercial business. He also said, "It is my purpose to withdraw all Government funds from the Riggs National Bank." A purpose which was fulfilled to the letter.

While that was in the brewing, May 6, 1914, Mr. Williams started. On June 9, 1914, he wrote his first letter, and did not stop until we went into court, and since then, if we received any letters from him, they have been more than formal in their character. It took our going into court to stop what I am going to try to show to you was the most persistent, consistent, malicious persecution ever handed out by a sworn public official to any banking institution in the history of the finance of this country.

Let me tell you how that thing started, the pretext that started it, because all through this correspondence you will find that something is started and then abandoned. Mr. Williams rushes into one set of charges, and then drops them after causing all sorts of efforts in their explanation.

There was a habit—and I see some questions in the record which show that somebody had been informed about it; you asked some questions yourself, Mr. Chairman—there was a habit on the part of some national-bank examiners to take off from banks' books, when they made their examinations, a list of large depositors, what might be called the profitable accounts. In the term of Comptroller Murray he issued an official general order that no national-bank examiner should take from any bank he examined the names of depositors and the amounts to their credit, and that all national-bank examiners should immediately destroy all such data in their

possession. I have given you in substance, I have given you almost literally, the precise language of that official order, which was promulgated to all national-bank examiners and made known to all national banks, having the effect of a general regulation of the Comptroller of the Currency. I do not know the exact purpose of that, but it is not hard to divine. It is the aspiration and the ambition of national-bank examiners in most cases to become officials of banks. It had been said that a national-bank examiner who would know the cream line of deposits of bank A, if he afterwards became the vice president or the president of bank B, would know just where to strike his competitor bank, and that the information with respect to what Mr. Jones or Mr. Smith had, so long as Mr. Jones's and Mr. Smith's accounts were entirely legitimate and all right, was of no benefit to the bank examiner or the comptroller's office.

That was the standing rule up to 1914. We were subjected to a regular bank examination in May, 1914, which was completed. We were examined by Examiner Trimble and several of his assistants, and that examination, as had all previous examinations, showed the comptroller that the bank was in good condition. No criticism respecting the condition of the bank produced by that examination was brought to our attention, and although we repeatedly asked for it, we never received it.

Some time after that bank examination was over an assistant bank examiner, or a bank examiner, I am not sure which, returned to the bank with a list of all loans of over \$5,000 from the bank. I ought to say to you so that you might have in your minds the relative unimportance or importance, as you may see it, of figures I might mention, that at that time the loans of the bank were over \$6,000,000, and they were in number a great many hundreds or running into the thousands. This national-bank examiner returned from the comptroller's office with a list of all loans of over \$5,000, with the demand that he be permitted to take the names of these depositors from the deposit books and the balances to their credit. He was informed that the books were there at his disposal, that any book in that bank could be examined by him, but in view of the regulation promulgated by the comptroller not to permit national-bank examiners to take the names of depositors and their balances, that would not be permitted. Whereupon Mr. Williams started this correspondence. I am not going to read this correspondence now, because you would be here for a month if I did.

Senator HENDERSON. May I suggest that the letter you referred to a few minutes ago be put in the record?

Mr. HOGAN. Which one, Senator?

Senator HENDERSON. The one you referred to just a few minutes ago, sent from Mr. Williams to Mr. McAdoo.

Mr. HOGAN. I will get it for you and put it into the record. It was a letter that appears in the court records in what we know as the "equity suit." I will get it for you.

Senator HENDERSON. I make that suggestion because you have already referred to the letter.

Mr. HOGAN. Yes, sir. I will see that that is put in the record for you. As I state, while we were waiting for our reply to the

Secretary of the Treasury's letter, came this visit of the examiner. came this first letter from John Skelton Williams, the letter of June 9, 1914, in which he said:

Bank Examiner Trimble informs me that, in connection with the examination which he has been recently making of the affairs of your bank, his assistant, Mr. Donahue, to-day requested access to your individual ledgers for the purpose of ascertaining and noting the present or average balances carried with your bank by borrowers to whom you were making loans aggregating \$5,000 or more, and that he was refused permission to do so.

You are hereby instructed to prepare and furnish this office, under oath, at once a list of all borrowers to whom you were lending, as of May 18, 1914, sums aggregating \$5,000 or more, showing the date of each loan and the collateral by which each loan is secured, with your appraisal as to the actual market value of such collateral.

Let the statement also show the average deposit balance which each of said borrowers had with the Riggs National Bank for the month of May, 1914, and the amount which each of said borrowers had on deposit to his credit on June 1, 1914.

Let your statement also show to what extent collateral pledged to secure the money so borrowed was purchased by, or sold to, the borrowers or others through your president, either of your vice presidents, or by your cashier, and whether a commission was charged by an officer or officers of your bank for, or in connection with, the purchase of said bonds or stocks and if so what it amounted to, and whether the commission so charged in each case was credited or went to the personal benefit of an officer or officers of your bank, and if so to what officer, or whether such commission or commissions went to the credit of the profit-and-loss account of the bank.

You are also requested to furnish this office promptly, under oath, a statement of all commissions, if any, which have been charged or collected during the 12 months ending June 1, 1914, by the president, either of the vice presidents, or the cashier of your bank, respectively, on any real estate loans (or on loans made by your bank with real estate notes as security), where said loans were made or negotiated for depositors of your bank, and where the making of such loans resulted in the withdrawal of funds which were on deposit in the Riggs National Bank. Please also furnish, under oath, a list of all such loans for the period mentioned, giving the name of the maker, amount, and date of each loan (and a description of the real estate notes given as collateral where the loan was secured by collateral); also showing the amount of money taken from the deposits of the Riggs National Bank in connection with each transaction; the name of the depositor to whose account charged, and the amount of commission charged in each instance.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

We answered that letter and said a detailed reply would be sent as soon as practicable. That was on June 10, 1914.

Senator HENDERSON. Perhaps I have a wrong idea, but have you suggested or said that Mr. Williams wrote a letter to Secretary McAdoo, suggesting that no funds be placed in the Riggs National Bank?

Mr. HOGAN. No; I did not say that.

Senator HENDERSON. I want to get that clear. If you did, I wanted the letter to go in.

Mr. HOGAN. I am going to get you the letter. That is the letter you asked for a little while ago. Mr. Glover, on May 6, 1914, wrote to Mr. McAdoo, after Mr. Glover had been informed that the distribution of tax money had been made and the Riggs National Bank, for the first time in history, had been stricken therefrom. That was May 6, 1914. Mr. McAdoo did not answer until June 11, 1914, having, as he said, been absent from the city in the meantime. Between May 6, 1914, and June 9, 1914, John Skelton Williams wrote a letter

to Secretary McAdoo which was in response to an inquiry from McAdoo based on the Glover letter, asking why the Riggs National Bank's name had been deleted from the list of tax-fund depositaries, and in that letter Williams said to Mr. McAdoo, in substance, what I have already pointed out, that there was no need for depositing money in the Riggs National Bank, that the Riggs National Bank's cash reserves at that time were very large, giving the figures, and that it would not disturb the financial situation in the city of Washington to deprive that bank of the tax money.

Senator HENDERSON. That is the letter I was referring to, if you will put that in.

Mr. HOGAN. Yes, sir. That letter, as I say, we only developed after the equity suit.

Senator FLETCHER. That was a fact, was it not, Mr. Hogan?

Mr. HOGAN. According to what you call a fact, Senator. It was an absolute fact, yes, that at that time we were in a splendid financial condition. It was a fact that at that time we had large cash reserves, both in our vault and with reserve agencies. But it was not a fact that in a small community like this, where no bank at that time had more than a total of \$10,000,000 in deposits, and where most of the banks ran between two and five million dollars of deposits, the taking out of \$1,000,000 deposits did not have an effect on the financial condition of the community. His facts were correct.

Senator FLETCHER. It did not necessarily mean that the money was to be taken out of the community?

Mr. HOGAN. No. They did not put it in any other bank.

Senator HENDERSON. Was it taken from Riggs Bank and placed in another bank or put into the Treasury and held there?

Mr. HOGAN. My understanding is it was not. The Riggs National Bank was stricken off, but if it was distributed to other banks, I do not know.

The CHAIRMAN. What was the amount?

Mr. HOGAN. A million dollars in round figures. I am taking five years after the fact, and I will not be absolutely certain as to the figures, but a million dollars in round figures.

I may say, right in this connection, out of its chronological order, that from 1914 until the present year, the Riggs National Bank never received \$1 of those tax moneys, although every other national bank received them.

The CHAIRMAN. Have you any now?

Mr. HOGAN. Yes; we have them now. One of the most splendid things that happened was that Carter Glass, the new Secretary of the Treasury, the first time that he had this thing to do, saw to it that the Riggs National Bank got its pro rata, and this time, this May, when the national banks of the District of Columbia were given their tax funds by order of Mr. Glass, quite apparently, obviously by his order, the Riggs National Bank was not discriminated against, and it received \$966,000 of the tax money. But the condition of the Riggs National Bank, the character of its business, the personnel of its management, are no different in 1919 from what they were in 1918. They are no different in 1919 from what they were in 1917; not one thing has changed; and, therefore, if the giving of the tax money is right now, then it was discrimination last year and the year before and the year before that.

Not only that, but during the war the Riggs National Bank led every national bank in the city of Washington in oversubscribing and getting subscriptions to its Liberty bond quota. The Riggs National Bank's quota in the five loans was \$11,668,000, and the subscriptions it turned in during those five loans were \$22,000,000, approximately double.

In the four loans prior to Mr. Glass coming into office the Riggs National Bank's quota in all those loans was \$8,346,000, and it turned in in Liberty loan subscriptions \$18,870,000—ten millions in excess of its quota.

In the fourth loan, against a quota of \$3,000,000, in round figures, it turned in over \$8,000,000.

In the third loan, against a quota of \$1,475,000, it turned in \$4,000,000.

It devoted practically one building—and it was proper; it was doing no more than its duty—to the Liberty loan matter. It was the first bank in every one of those loans to oversubscribe its quota. Its officers did splendid, patriotic, public duty, as they should have done. It led all the banks here. And yet during those years and until the time Carter Glass went into that office every year it was discriminated against in respect of this deposit of purely local public funds. And I am glad, sir, to say—although I do not know Mr. Glass personally—that the splendid attitude of fairness is quite evidently a part, and a marked part, of his characteristics, because the first time he got a chance he stopped what had been going on for all the years previous.

If you will read the hearings before this committee, you will find that Mr. Williams states, taking credit therefor to himself, that from a period ending with 18 months after his entrance into the comptroller's office, the Riggs National Bank has been conducted within the law and in a splendid way, and yet during all that time there was still withheld from the leading national institution in this community that ordinary local tax deposit, to say nothing of other deposits.

When Mr. Glover received that letter that I have read to you of June 9, he acknowledged it on June 10, promptly, saying a detailed reply would be given. The next day he received Mr. McAdoo's letter, which naturally was of grave import. He immediately called a meeting of the board of directors of the Riggs National Bank and he informed the Comptroller of the Currency that in view of the character of the letters which had been received he considered that they should have the consideration of the board of directors. His words were:

The unusual character of the requirements specified in your letter, as well as the manner of their statement, seem to justify if not actually to require their consideration by the board of directors, this view being strengthened by the more recent receipt of a communication from the Secretary of the Treasury of equally grave import.

That was June 12, 1914. He stated that the earliest date that it was reasonable to expect that they could get a full attendance of the board of directors to lay it before that board, the supervising body of the bank, this important matter, was June 18, six days afterwards. We thought that was a very reasonable thing to inform the comptroller, that we were going to call our board together. But

on June 13, 1914, the very next day, came back a communication from the comptroller advising us that he wanted this information at once, that there was not any need to call the board of directors. He said:

Your suggestion that you be allowed to submit the call which this office has made upon you for information relative to the affairs of your bank to your board of directors before complying, and the statement that "shortly after that date a further and more full reply to your communication will be made," is not satisfactory.

And then for the first time he called attention to the fact that if we did not reply at once there would be \$100 a day penalty—"Calling your attention to sections 5211 and 5213 of the Revised Statutes."

That we must go ahead and furnish this information at once, otherwise we must suffer the penalties, which penalties, Senators, were \$100 a day.

Let me tell you about those penalties, because they became quite interesting later on. The statute provides for at least five regular reports of the condition of the bank to the comptroller. It provides how that report shall be signed and made out. It provides in general what that report shall show, it being a report that will show both the Treasury Department and the public—because it requires that it be published—the condition of the bank, so that you and I can be guided in our dealings with those banks and so that the Treasury can exercise its appropriate supervisory powers.

The statute also provides that when the comptroller thinks the facts require it, he can call on any bank, without sending out a general call to all banks, for any special reports with respect to the condition of the bank.

Then there is another section which provides for reports of dividends, when dividends are paid, to be made to the comptroller.

Then section 5213 of the Revised Statutes provides that if any of the reports provided for in the foregoing sections are not rendered within the time therein specified, the bank failing so to render them shall be subject to a penalty of \$100 a day for each day's delay. The only specification in that law was as to the general reports of condition, which all banks had to make, and which had to be published, which was that they must be submitted within five days after a date specified by the comptroller.

Senator HENDERSON. I understand that this was not a general call for a report, but a special call on Riggs?

Mr. HOGAN. Yes. Under a law which gave him a right to call for special reports which would inform him or enlighten him regarding the condition of the bank.

Senator CALDER. Do you know whether that information was asked for from any other bank in Washington?

Mr. HOGAN. I can safely say, Senator, that it was not. You will have no difficulty in finding no other bank in Washington at that time was subjected to anything like this.

The CHAIRMAN. Were those penalties ever imposed?

Mr. HOGAN. That comes out of its order, Senator, but I will be glad to state it.

The CHAIRMAN. I thought it might help save time to put it in here, but you need not do it now.

Mr. HOGAN. This only started things. This was only the beginning. They rolled up like a snowball going down hill.

The CHAIRMAN. Proceed in your own way.

Mr. HOGAN. That was called out by the fact that this official said that within six days they would have a rather full meeting of the board of directors and would like to have consideration of the board.

He was replying, in that letter, that the bank considered that it was within its rights to bring this matter to the attention of its board, and it would do so, and he was told we did not consider we were subject to the penalty he referred to. We wrote him June 15 and he replied on June 15.

During this five hundred and odd pages of correspondence, if it had not been serious it would have been amusing, the way these communications were sent over. As to some of his communications, a national-bank examiner, supposedly a very competent, high-priced man, flanked on each side by two assistant bank examiners, would be the letter bearer. They would come from the Treasury over to the Riggs Bank, one of them would deliver the letter in formal style from Mr. John Skelton Williams to the president, and the other two would make note of the exact hour when the communication was itself formally delivered. If we wrote Mr. Williams in the afternoon too late for business hours, even long after business hours, these communications would come.

The letters are interesting in another aspect that I digress to tell. Although they are typewritten letters, you find the style of the acute yellow-journal writer throughout them, in this, underscores all through the letters, and then, when underscoring did not seem to emphasize the point, or when he wanted to call some officer of the bank a falsifier, then he went into capitals, and you would see in a typewritten official communication from the Treasury a paragraph set out in the middle of the page after the fashion of a newspaper article. He did not have black type on the typewriter, so he capitalized them. I will get back to this.

On June 15 we wrote him, and he replied:

Please take notice that for failing to make and transmit to this office the special reports called for in the letter from this office of the 9th instant, which reports, in my judgment, are necessary for a full and complete knowledge of the condition of your bank, you will be subject to a penalty of \$100 for each day, from this date, inclusive, that your bank delays to make and transmit the reports called for.

Throughout the correspondence which followed, in so far as it was humanly possible to do so, down until April, 1915, regardless of the character of the request, every request was complied with. For a long period of time a section of the clerical force of the bank reported at 6 o'clock in the morning. During this period of time there was no evening you would pass there that you could not see the lights in the bank's windows, and the clerks working. As I have said, when we got through with one line, another line was taken up. There was no single, solitary thing we did that we were not called on, under penalty of \$100 a day, to make a report on.

I want to call your attention to some of the things that characterized the thing throughout, because these letters were not permitted by Mr. Williams's counsel to go before the court in the equity suit. You notice the correspondence is quite bulky. By the time it

got bulky, counsel had been called in to advise these gentlemen. The penalties, if they were enforceable, were becoming very large. According to the calculation of expert accountants, on April 12, 1915, the penalties which he had imposed, and which he repeatedly and solemnly said he had imposed, aggregated \$160,000 against the bank. And many of these penalties were imposed because it was physically impossible to get up within 5 days, or within 10 days, some tabulated statement he wanted for 20 years back. The law says 5 days, but that did not make any difference to him. He put a time limit of 3 days on some, 10 on some, and 15 on others. He was a law unto himself.

But, as I said, we got this correspondence printed, and it was only printed for the convenient use of the directors and counsel and those who were acting in an advisory capacity, taking part in the transactions. One of the examiners happened to go into the bank—they were in the bank nearly all the time; we were subjected to constant examinations for over a year—and saw one of these volumes, whereupon we got a letter from the comptroller, under his authority to inquire into the condition of the bank, requiring that a report be submitted under oath, subject to penalties—I am not giving you the exact language, but this is the style throughout—as to how much it cost to print these volumes, to whom we gave copies, and things of that kind.

On one occasion we wrote the comptroller and told him that in order to comply with his demands, we had employed an outside force of help. The gentleman who is reporting these proceedings here, Mr. John D. Rhodes, had been employed with his expert reportorial stenographic staff, because it was utterly impossible to do these things without entirely interfering with our regular business. We reported to him that in order to help us in this matter, we had gotten an outside force. Back came a demand that we report forthwith, under oath, subject to penalty, whom we had employed, what their names were, when they were employed, and how much we had paid them.

Senator FLETCHER. Those \$106,000 of penalties were never actually imposed?

Mr. HOGAN. No, Senator; because when brought to the bar of a court in public Mr. Williams did just exactly what any man who wrote that correspondence would do—he crawled. Let me tell you about that, as you asked the question, right now.

Mr. Williams in his letters did not say “I am going to impose them.” He would send a letter and say “This penalty I am now imposing is in addition to the penalties heretofore imposed by this office on you.”

Of course, so long as it was a mere matter of correspondence, we started no litigation. No national bank wanted to get into a controversy with the Comptroller of the Currency if it could possibly be avoided, with the tremendous power that office has over national banks. We were approaching the time when the renewal of our charter had to be taken up officially, a fact which meant, so far as we were a national institution, life and death. The law apparently, arbitrarily, without allowing any tribunal to question him, gives the absolute, unquestioned discretion to the Comptroller of the Currency to say that he will not renew the charter of a national

bank, and he need answer to no man, except to the appointing and confirming power of the Government when he next comes before them, for the exercise arbitrarily of that power.

As I say, we were approaching that. We never would have started litigation. I find that some of the Senators have an erroneous idea of how the litigation started. We never would have started litigation if it could have been avoided. No one wants to go into court if it can be avoided, and certainly no national bank wants to come out in public and sue the Comptroller of the Currency or the Secretary of the Treasury. It would have been a foolhardy thing to do if it could reasonably have been avoided.

So, whenever he imposed, or told us he imposed, these penalties of \$100 a day—and, mark you, \$100 a day for each question not answered was the character of some of his impositions—he would send us a list of, say, 30 interrogatories, in quadruplicate, and he would direct that each one of the officers—the president, the two vice presidents, and the cashier—should sign and swear to them. Then he would impose penalties of \$100 a day for the failure to answer each question. But we paid no attention to it other than do what any lawyer would advise a bank to do—protest against it, and in order not to be estopped, in order not to be held to have waived or acquiesced in the imposition of these ruinous penalties, say that we denied his right to impose them, which would bring out a characteristic sarcastic letter from him saying, “This office notes your denial, which reminds it of other denials this office has received. You will soon learn that this office has power, and it will take appropriate steps to show you what power it has.”

Those are simply little characteristics. We never paid the fines, of course. We never intended to pay them. There never was any law under which they could be imposed, and it would take the United States Supreme Court to convince any lawyer who looks at that correspondence that there was any law under which they could be imposed.

Senator FLETCHER. Did not the Supreme Court of the District hold that the penalties applied to these special reports as well as to the general reports?

Mr. HOGAN. Yes; in an obiter decision, which I intend to very carefully explain to the Senators here, and held in an interlocutory decision also, in a case that never got to a final hearing, but in a decision that never was and could not under the conditions that were theretofore imposed have been upheld, that the penalties did apply to special reports. I say, with great deference to the judge holding that, that it is an untenable construction of the law. However, it was obiter, because the court held these penalties could not be imposed.

Senator Fletcher asked me what was done in regard to the penalties. We protested them, as I say. In March, 1915, we had been constantly sending these things in. Sometimes, perhaps, we did not send what he wanted—though we tried as hard as we knew how. We were sending reams of paper over to the comptroller. We were answering questions and repeatedly answering them. When we would get through answering questions, signing and swearing to the answers, I remember on one occasion they brought an examiner here

from Chicago, who was supposed to have some reputation as a cross-examiner, and this expert cross-examiner would come over and stand the officers in the bank up and put them under oath, as they would have a right to do, if anything respecting the condition of the bank occurred, and then they would be examined.

Here are some books containing testimony in this matter. We have a library on the subject. Here is a large volume of several hundred pages, not paged consecutively, of examiners' hearings. After the officers of the bank would write themselves out, the examiners would come in, the officers would be put under oath, and the examiners, as I say, would question them. Mr. Sherrill Smith was brought from Chicago. The ordinary examiner did not suit for this trying work.

So, although we tried to answer, I will admit that there were some times, when, being human, our patience was not altogether saintlike.

We did not pay any of these penalties, but we had this situation. In order to secure our circulating currency, we had deposited with the Treasury Department, as required by law, \$1,000,000 of 2 per cent United States bonds. Interest was payable quarterly on those bonds. We received our check for \$5,000 each quarter from June, 1914, until what transpired, as I will show you in a minute, in 1915, for the interest on those bonds. In March, 1915, Mr. Williams wrote us a letter. The next payment of interest was due in April, 1915, of \$5,000. The Secretary of the Treasury at that time paid the interest, not the Treasurer of the United States. That had been the result of some intradepartmental controversy at a former time between the Treasurer's office and the Secretary's office. While he wrote this letter on March 30, he did not send it over until after business hours on March 31, until about the close of business hours, 1 p. m., March 31. That letter is very long, and I will not bother to read it; it is not important to read it. Again we have italics and capitals throughout the letter. This is, as near as it can be made, a Chinese copy, Senator Calder. He concludes the letter:

You are now hereby notified that for your failure to make and transmit to this office within the time mentioned, or within five days after the expiration of said time, the special report or reports called for in the aforesaid letter of January 22, 1915, you are hereby assessed and directed to pay the penalty of \$100 per day for each day from February 8, 1915, to date—March 30, 1915—both dates inclusive, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes of the United States. Said penalties amount to this time to \$5,000, which sum you are hereby directed to pay at once into the Treasury of the United States under the provisions of the statutes above referred to.

You are furthermore notified that continued failure on your part to furnish the reports called for in the letter from this office of January 22, 1915, will subject you to further and continuing penalties under the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring for your failure to furnish other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

Pretty clear language!

At the same time that he was calling upon us to send over that money he lodged with the Treasurer of the United States, Mr. John

Burke, an order to withhold the \$5,000 due the Riggs National Bank as interest on those bonds which had been deposited with the Treasury.

On April 1, 1915, Mr. Glover, president of the bank, accompanied by myself, called on Mr. Burke. We were very courteously received. He stated he did not know why that letter was sent to him, because, while he thought it was the function of the Treasurer to pay, still the letter seemed to question the Secretary of the Treasury, as the superior officer of that department, had the right to decide who would pay, and the previous Secretary of the Treasury had directed that he himself or his office should pay. We handed him a letter and stated that we did not intend to permit its confiscation or retention. That letter was sent to the Secretary, and we got from one of the Assistant Secretaries a formal acknowledgement saying that the letter had been received. We told Mr. Burke that of course we would have to protect ourselves and that what we feared was that the \$5,000 would be covered into the Treasury, and that having been covered into the Treasury we might then find ourselves relegated to a suit in the Court of Claims to recover that money, and that we might not have a common law court of general jurisdiction to seek our remedy in.

Mr. Burke, in a spirit of fairness which I have always remembered, most kindly told us to go ahead and start our proceedings quickly; that he recognized the position in which we were, and, as far as he was concerned, he would be glad to have the status quo—

Senator HENDERSON. Was this interest due on bonds?

Mr. HOGAN. On registered bonds.

This was not a confidential conversation, so I have the right to repeat it. He intimated, and in substance said, "Please do not involve me in the controversy with John Skelton Williams." He did not use the expression, but what he said when he left his office you find stated by other Treasury officials who wanted, as far as possible, to be saved from the claws of the Wildcat of the Treasury. He was willing in any way he could to help us, but please do not involve him in any controversy with that particular official.

Now, Senator, you see the position that we were then in. We had complied tirelessly with every request made. We had expert accountants figure what the amount of money was if those penalties could be enforced. The figures, including this \$5,000, amounted roundly speaking, to \$160,000 that had accrued if he meant what he said and could do what he claimed. Not only that, but the figures show, using his letter as a basis for the computation—I am not a mathematician; this was done by accountants—that we were incurring penalties at the rate of \$1,600 a day for having failed, according to his, as he said, undisputed and indisputable judgment, to answer his countless questions in the way that he demanded they be answered.

The Riggs National Bank did not want to litigate, but what else could it do? It had to litigate or acquiesce in that ruinous policy. We had to fight; we had to fight either with a pea-shooter or a gatling gun; and we took the latter weapon.

We filed a bill in the Supreme Court of the District of Columbia on or about April 12, 1915, in which we charged John Skelton Williams and William G. McAdoo with having entered into a conspiracy to destroy the Riggs National Bank, and we set forth the interwoven

course of conduct as we saw it, and as we believed it to be. We made Mr. Burke a necessary party to that bill, and in order to prevent the covering of the \$5,000 into the Treasury we obtained a temporary restraining order, or in popular parlance, an injunction, which held the status quo as it then was and prevented the covering of the money into the Treasury or the imposition of any further penalties at that time.

The afternoon on which we filed this bill, Mr. John Skelton Williams issued a formal statement to the press of the country in which he referred to the temerity of the bank in bringing this suit. That statement is somewhere in this volume of your former hearings, read into the record by Senator Weeks.

I like that word "temerity." It was true that for the first time in the history of this country officers of a national bank had called the Comptroller of the Currency to the bar of a court of the land to hear such questions as we thought should be heard.

Do you know what he did? First of all, of course, he started to get lawyers.

Mr. Louis D. Brandeis, now Mr. Justice Brandeis, had been sometime previously consulted, he said, retained by the Department of Justice. He had been consulted by Mr. Williams in the matter. Mr. Brandeis, of course, had no public official connection with the department. Mr. Brandeis was brought in. Next appeared Mr. Samuel Untermyer. He came down from New York and entered his appearance for the Secretary of the Treasury and the Comptroller of the Currency. Then it was given an official atmosphere by the appearance of Mr. Charles Warren, then Assistant Attorney General; Mr. John Laskey, then and now the district attorney; and Mr. James B. Archer; also a semiofficial character by the appearance of Mr. Jesse C. Adkins, as associated with Mr. Brandeis and Mr. Untermyer.

Various reasonable postponements were had by the counsel, Mr. Brandeis getting the first one and Mr. Untermyer taking the wheel thereafter in the case until, on May 1, the case was heard on preliminary motion.

This entire matter has been so often misrepresented with respect to what developed and what was decided that I would like to give the committee a full account of it, but I want to go on and answer the question you have asked with respect to those penalties.

What do you think he did? You would have stood by it; but he came into court with his sworn affidavit, and his counsel said he never really intended to impose those penalties. He came into court with his second affidavit and said that he did not now propose to impose the penalties which, in the last letter, he specifically and solemnly said were imposed; and that outside of the \$5,000—and it is in the record here—he waived the penalties which the bank had incurred.

If he was right that the penalties had been incurred, where, in law or in morals, did John Skelton Williams have the right to give away \$160,000 of the Government's money? What power was ever imposed in him to say, under the law, as he has said at least 50 times—

The CHAIRMAN. That was outside of the \$5,000?

Mr. HOGAN. Yes, sir. Do you see the point, Senator? The hope of Williams, McAdoo, and their counsel was to get out of court on a

technicality. They thought an injunction could only run to prevent the doing of future acts. We had gone into a court for injunctive relief, and they thought that as he waived any future act of that kind the injunction could not reach back and stop the doing of what he had done.

The CHAIRMAN. The \$5,000 was interest on the bonds, or was the \$5,000 penalties?

Mr. HOGAN. It was \$5,000 in penalties. The Treasury owed us \$5,000. He ordered it confiscated. That is not the word he used, but that is what it amounted to.

The CHAIRMAN. He applied the \$5,000 due in interest to the payment of penalties?

Mr. HOGAN, Right, Mr. Chairman; exactly. But when he was brought to the bar of justice, his counsel said—and they said it on his sworn statement—"You ought not to be asking an injunction. This court has no jurisdiction to grant an injunction, because anything that the comptroller said he was going to do, he is not going to do any more. It is true he wrote you time and time again and told you that you had incurred these penalties. It is true he said these penalties were imposed. It is true that he told you in his March 30 letter that when he took this \$5,000 he only intended to take it on account and that it was in addition to all the other penalties you have incurred and are incurring." But when he had come out into the open, before a court of justice, I repeat the expression, he "crawled," he quit.

Senator FLETCHER. What was the \$5,000 fine imposed for?

Mr. HOGAN. For failure to reply to one of his letters, one of the many letters.

Senator FLETCHER. Do you remember the data that was called for?

Mr. HOGAN. I think so; I can tell you that in a moment.

Senator HENDERSON. I just want to get this clear.

The Riggs National Bank had registered bonds, and on this date there was \$5,000 in interest due on those bonds?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. The Comptroller of the Currency had imposed penalties on the bank amounting at that time to about \$160,000?

Senator FLETCHER. He had imposed a fine of \$5,000.

Mr. HOGAN. No; Senator Henderson is correct.

Senator HENDERSON. That is, \$5,000 which was due the Riggs National Bank, was directed by the Comptroller of the Currency to be withheld and applied on the penalties then due from the Riggs National Bank to the Government, as the Government claimed it was due?

Mr. HOGAN. Yes. You stated it absolutely with accuracy, Senator.

The Riggs Bank responded to that, first, by filing its protest, and second, by filing a bill in equity on the equity side of the Supreme Court of the District of Columbia where we have the separate jurisdiction—the old chancery practice and the common-law practice. In that bill we sought to have him enjoined and anyone connected with him enjoined from retaining that money, from covering it into the Treasury.

We further sought to have him enjoined from imposing penalties or collecting or confiscating our money on account of the other fines

and penalties which he had over and over again notified us that he imposed upon us; and we sought, further, to have him enjoined from further harassing the bank with these alleged calls for conditions, which we point out in the case in which the \$5,000 was imposed was a statement of matters occurring all the way back 20 years ago, whether or not certain officials had, as far back as 1896 and onward, received commissions on real estate loans which had been negotiated by them, or received commissions on stocks and bonds which they had purchased, and which required, as I say, by his latter date requests, a tabulated statement of things that could not, by the farthest stretch of any reasonable imagination have reflected upon the condition of the bank, but simply was going back into things that were closed so long ago that they could never be resurrected to affect the solvency of the bank.

It was that sort of information, mark you, in most instances, which we did not refuse to give—we had gotten to that position, Senator, where it did not make any difference how far back we had to go, and that is the reason we went back.

The CHAIRMAN. Mr. Hogan, he waived all the penalties imposed, with the exception of \$5,000?

Mr. HOGAN. Yes, sir.

The CHAIRMAN. That he intended to make good by the application of the \$5,000 interest?

Mr. HOGAN. Yes, sir.

The CHAIRMAN. What was the result?

Mr. HOGAN. We got it back. There was a reason—

Senator HENDERSON. Just a moment before you go on with that.

The question I asked a moment ago would leave the inference that those penalties were actually imposed by the Comptroller of the Currency or some Government official having that power. Were such penalties ever actually imposed by the comptroller or any other official?

Mr. HOGAN. Yes, sir, Senator. I know where you get that suggestion from. Yes; they were. There is not any doubt about it at all. They were not collected, no; they were imposed.

For instance, let me give you his language—and while I am looking for this memorandum, Senator, I can answer your question, too.

We got the \$5,000. It was returned to us. The litigation resulted in the court's holding that he had not complied with the law. That is as far as the court held at that time.

Senator FLETCHER. The Supreme Court of the District of Columbia, here in these hearings at page 481, held, by Mr. Justice McCoy:

That the court had jurisdiction of the case.

That as "the bill does not state facts sufficient to constitute a cause of action against the Secretary of the Treasury as to a conspiracy, nor as to anything done or threatened by him, it must be dismissed as to him, unless he is a necessary part in order to give relief by way of directing a purely ministerial act, namely, the payment of interest withheld because of the penalty of \$5,000 assessed by the comptroller."

Those points are all set out; and paragraph 20 says:

As to the merits of the case, the single point on which the court finds against the defendant is the following: That the comptroller in making his demand of January 22, 1915, for the special report called for—

Mr. HOGAN. You are not reading from the court's decision.

Senator FLETCHER. I am reading from the——

Mr. HOGAN. Something that Mr. Williams put in there?

Senator FLETCHER. The synopsis of the decision rendered May 31, 1916.

Senator HENDERSON. That is Mr. Williams's statement before the committee.

Senator FLETCHER. Well, it is a synopsis of the decision. If it is questioned, we can go into that later.

(Continuing reading:)

That the comptroller in making his demand of January 22, 1915, for the special report called for, required that it should be made under the oath of the president, cashier, and three named officers and directors, whereas the statute, section 5211, only required that the report be sworn to by the president or cashier and attested by the signatures of at least three of the directors. The court said: "Therefore, it must be held in this case that the comptroller having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with a demand which he made."

Mr. HOGAN. Yes; that last part is a quotation from the court. That is the first thing you have quoted from the court.

If I may proceed in order in connection with that I can come to it, because that decision resulted in a rather amusing thing.

For instance, the Treasury Department and the Department of Justice found it necessary, after that decision was rendered, to issue to the press of the country, with the request that it be given circulation, a labored statement showing that the Government had won, setting out 22 different paragraphs to show that Mr. Williams had won the case. From a lawyer's standpoint the thing was nothing less than amusing.

When the judge rendered his opinion, with that accuracy and intelligence which ordinarily characterizes the press, it had sent out the report that the Riggs Bank had won, as it had on every single, solitary question which was before the court—every one. But that we will come to, because that is another order.

Senator Henderson, you used a phrase in your question, whether or not I meant to say that the fine was actually imposed, and I said I knew where you got that suggestion from, and I am going to answer you in Mr. Williams's own words used on June 29, 1914, and I quote from a letter of that date:

Your omission to furnish the information called for over your president's signature, therefore, subjects you to the imposition of a fine of \$100 per diem from this date for this delay. In addition to the fines heretofore imposed, as per previous letters.

That answers you, does it not, Senator?

Senator HENDERSON. Yes.

Mr. HOGAN. I do not think that I overstate it when I say that I can read to you 20 places where that man uses words which afterwards he said he did not mean. He said those fines had been imposed and incurred, and now he states that his purpose was not to impose them.

Senator HENDERSON. Did the point come up in the trial of the case as to whether or not under the law any Government official had the right to relieve anyone from the payment of any penalties at all?

Mr. HOGAN. It never got to the point where it could be decided by any court, Senator.

May I proceed, now, to tell you with reference to this case, because Senator Fletcher has asked a question about what occurred in the case?

Senator FLETCHER. I would like to have you, if you can, put in the particular letter calling for the data.

Mr. HOGAN. Yes, sir; I will, sir; I will do that.

Senator FLETCHER. If you have that letter. Do you remember the date of it?

Mr. HOGAN. He gives the date.

Senator FLETCHER. January 22, 1915?

Mr. HOGAN. Yes. I think he gives the date. That is the letter. I will give it to you.

We filed our bill in equity. We got a preliminary restraining order. That held the status quo. The attorneys for the comptroller and the Secretary and, nominally, for Mr. Burke, who was a mere nominal party, came into court finally, in May, and they filed a motion to dismiss the bill. That, under the equity rules promulgated by the United States Supreme Court in 1913, took the place of the old demurrer which theretofore was a pleading in equity. The ground of that motion to dismiss the bill was that the Supreme Court of the District of Columbia did not have any jurisdiction of that cause; that the bill on its face gave the court no jurisdiction, and that this was a suit against the United States not cognizable by the Supreme Court of the District of Columbia; and that Mr. Williams and Mr. McAdoo and Mr. Burke, having acted in their official capacity, could not be brought to answer before the bar of the court—a time-worn defence of every Government official that has ever been brought to court since Marbury and Madison.

That motion to dismiss absolutely denied the jurisdiction of the court or its right to give any relief at all and, logically, it was the first thing to be disposed of. But Mr. Williams's counsel declined to have it disposed of, and asked the court, and the court consented, to hear the motion to dismiss along with the question whether or not the temporary restraining order would be continued.

That was done for the purpose of enabling him, as Mr. Untermeyer frankly said, to put on the public records and thereby safely disseminate through the public press affidavits from Mr. McAdoo and Mr. Williams, a short affidavit from Mr. Burke and some supporting affidavits giving their version of the facts.

The case came on to be heard in May, 1916—not for trial. There was never any answer made to the bill. The pleadings were not in condition to permit a trial.

Senator HENDERSON. It was not at issue?

Mr. HOGAN. It was not at issue. It was heard, first, on a motion by the comptroller's attorneys to dismiss for want of jurisdiction, to throw it out of court; and it was heard, second, on our contention that the preliminary injunction should be continued. That is all there was before the court.

Mr. Williams, as I say, filed voluminous affidavits; here [indicating] in another volume that contains the affidavits and also his printed correspondence.

The court said that he would hear, in an interlocutory way, the motion of Mr. Williams's counsel to dismiss and also these affidavits

which, of course, so far as the answer was concerned, were *ex parte* affidavits. We did not have any right to answer them. We were allowed to answer them as a matter of privilege, and Mr. Williams's counsel strenuously opposed our being allowed to answer those affidavits either as to the new matter that was brought in, or as to anything else, but Mr. Justice McCoy fairly permitted us to file answers. Not only that, Senator, but when it was decided that as far as the preliminary injunction was concerned we would have to go into a large number of facts, we asked that all of the correspondence, part of which had been referred to by Mr. Williams, be offered before the court, they were strenuously opposed to that, and, of course, we did not have a right in the matter, and the objection was sustained.

They did, however, select 62 innocuous letters, with the sting taken out of the tail and with the teeth extracted from the mouth, but which the court would not permit to go in, because we said that if any court is going to pass on this correspondence, let them see it all, and if a court or a tribunal will read those letters and can say that the man who wrote them in his official capacity was an impartial public officer, he will not receive any comment from me.

When we went to hearing there were just exactly these and no other questions that the court could pass upon:

First, must the motion of the defendant to dismiss the case be granted or overruled?

That was their motion. If it had been granted, that ended the case.

Second, was the fine of \$5,000 rightly imposed, or must the preliminary restraining order against the turning of that money into the Treasury be continued?

Third, were the other fines, which according to our figures aggregated \$160,000, rightly imposed, and could the proposition of confiscating our money, or in other ways making us pay it, go on pending a final determination of the case?

Those were the only points that the court could possibly have decided. Those were the only points before the court.

Incidentally, both in the argument and in the affidavits—and I am not saying this to criticize my brothers on the other side, because we all did it—we roamed all over the world. But after you surveyed it from the standpoint of court or lawyer, there was not anything else before the court, and in the nature of things there could not have been anything else before the court on a hearing as to whether, first, the court had jurisdiction, and, second, whether the preliminary restraining order should be made into a permanent injunction—and you will find in this volume [indicating] by Mr. Williams that the court overwhelmingly overruled point number one, that we had no right to bring him into court.

The justice decided that he did have jurisdiction; that we were rightly in court; on point number two, as to whether or not he was within his legal right in imposing a \$5,000 fine, the court decided that he was not; that the temporary restraining order would be continued to withhold that \$5,000, and so stated the fact that it made it inevitable that in any subsequent trial of the case a mandatory order requiring the return of the \$5,000 would be issued.

Third, on the only other question before the court, as to whether or not the \$160,000 had been lawfully imposed, the court held it was

not, and if need required it a temporary injunction would have to go protecting the bank from the taking of the money.

That was the decision. There was a very long opinion rendered by Mr. Justice McCoy, then new to the bench, in which he discussed at great length what was purely obiter dicta, and however interesting it might have been, decided nothing. On the question of the plenary powers of the comptroller to make these demands that he had made, the court determined that he did have a right to make those demands. The court said in the trial that there was no evidence of a conspiracy between Mr. McAdoo and Mr. Williams. Of course, there was not, nor anything that came to the point of it. When we tried to get in this correspondence, Mr. Untermeyer said at the trial of the case, if we ever came to the trial, that it might be relevant, but objected to encumbering this record with any other papers:

Mr. Justice McCoy, in a very learned dissertation on the powers of the comptroller and the safety of national banks, wrote about things that he could not decide and which were not before him. I am sure he would recognize it if his attention was ever called to it. He said that the bill would be dismissed in part and retained in part—something which is impossible legally. You could not divide a bill in parts and retain part of it and send out part of it.

But you want to know what happened to that case. That was the end of it so far as the court was concerned. Never was that case tried. Every point that was legitimately before the court for decision was decided in favor of the bank, but the decision came down a year after the case had been argued.

Senator HENDERSON. On these preliminary matters?

Mr. HOGAN. Yes, sir; it took one year to decide it. It took one year after this case had been argued; and it came down a month before the Riggs National Bank's charter, as a national institution, expired.

I am going to skip the criminal prosecution and call your attention, Senators, to what I will respectfully submit to you is the conclusive answer to the question of whether this man is fit to be Comptroller of the Currency, as to what he did in respect to this suit.

If any public official had those charges made against him he would want to go to a hearing. He would want to try this case out, would he not? That is what you would have wanted, Senator. What did Williams do? He used his power, to grant the charter or to deny the charter of the bank, to impose a condition precedent that the bank should dismiss that suit and not go on with the trial, before he would recharter the bank.

In 1916 the question was taken up about the rechartering of the bank. Concededly, on his own oath, the bank was solvent. Concededly the bank was in a splendid solvent condition. Mr. Untermeyer stood in the court and said that no question was made about its solvency and never was made. In his own public statement Mr. Williams had gratuitously said that while the bank had the temerity to go into court—he wound up his statement with the few words—"The bank is solvent."—due not to the lack of any act that he could take to hurt its solvency, because, in the meantime, his activities, which are tireless, had resulted in the withdrawal of the Panama Canal funds; and he used his powers and activities in connection with the Red Cross, by asking us to violate the law—

Senator HENDERSON. You know of that personally, do you?

Mr. HOGAN. All these things are a matter of record.

The CHAIRMAN. You say he conditioned the rechartering of the bank upon the dismissal of that suit?

Mr. HOGAN. Yes, sir.

The CHAIRMAN. What testimony of record is there of that?

Senator FLETCHER. Is there any letter of that sort?

Mr. HOGAN. Yes, sir; that is all in the record. I will supply you with those documents, too. Mr. Darlington will also supply it.

Let me tell you this, Senator he started out to try to have us help him do what our Chinese friends call "save his face."

He wanted us, when we first took up the matter of the charter, to agree that we would be granted a charter if our officers would resign. Mr. Flather had resigned the previous year. And if the bank would agree that the \$5,000 might be retained, then he would recharter the bank.

We declined all of those conditions. We had, as I will show you in due time, been offered immunity from indictments for resignations, but our American manhood had spurned that. Now, we were offered a charter for the bank for resignations. It was the duty of the officers of the bank and of the directors to save the national charter of the bank if they could possibly do so. If, under the conditions then existing, extraordinary as they were, humiliation was necessary, then, of course, they were going to face humiliation within any reasonable bounds. That was their duty to the numbers of stockholders of the bank.

Mr. Williams knew that. So far as we could get any indication from him on the question of rechartering the bank, from March, when he started on that question, until June, when he did recharter it under the conditions that I am now narrating, he had determined not to recharter the bank. He imposed one condition after another; that those men should go from the positions that they had honorably held for so long in this community—

The CHAIRMAN. How did he impose those conditions?

Mr. HOGAN. By saying, Senator:

If you will waive the question about the \$5,000 and let that fine stand; if you will go to the board of directors and have the board of directors transmit to the Comptroller of the Currency the resignation of Mr. Glover, Mr. Ailes, and Mr. Fletcher; if you will dismiss that equity suit and agree to abide by the law as laid down by Judge McCoy and take no appeal, then I will give you this charter. Otherwise, I will not.

The CHAIRMAN. Was that a written proposition?

Mr. HOGAN. Yes, sir; that was a written proposition, and you will find it here. Finally, he dictated communications—dictated, I say. He practically made the wording which the bank wrote—in which some of those conditions were agreed to and which he put into this volume. You will find it in there.

Senator FLETCHER. We do not find any letter from him making any demands.

Mr. HOGAN. No; oh, no; you will not find any letter from him making any demands. I am telling you what the facts are. You will find letters in there from the bank, signed by the bank. Those letters were drafted in conference with Mr. Williams, every one of those letters, all part of the result or in connection with the result of nego-

tiations going on for a long, long time; and the exact statements made at those negotiations which were reported to us and which led to our actions, Mr. J. J. Darlington, the other general counsel of the bank, will tell you.

Senator HITCHCOCK. I do not quite get that clear. You say he made a demand upon the bank that they meet those conditions as a consideration for receiving its charter?

Mr. HOGAN. Yes.

Senator HITCHCOCK. I ask whether that demand was made in writing?

Mr. HOGAN. No. The demand was not made in writing, but the ultimate result was put in writing, in a report from the bank to Williams, which writing, however, was dictated by Williams.

Senator HITCHCOCK. Then, if it was not made in writing, how was it made?

Mr. HOGAN. It was made in the various conferences between Williams and the counsel for the bank.

Senator HITCHCOCK. Did you hear him make the statement?

Mr. HOGAN. No, sir.

Senator HITCHCOCK. Who heard it?

Mr. HOGAN. Mr. Darlington, who is here in the room and heard him make that statement. I did not hear him make that statement.

Senator HITCHCOCK. So, there is no writing from Mr. Williams making those demands or imposing those conditions?

Mr. HOGAN. No. There is the writing from Williams, however, setting out the letters in which certain conditions are complied with and agreed to and stating, in view of those things, that he gives this charter.

Senator HITCHCOCK. But, of the further conditions which you mentioned and which you rejected, you have not any writing?

Mr. HOGAN. No, sir. However, you will find that simultaneously with the rechartering of the Riggs Bank we got back our \$5,000, and we entered in the Supreme Court of the District of Columbia a dismissal of the action in which, to this date, no judgment has ever been entered.

Senator FLETCHER. What is the date of the dismissal?

Mr. HOGAN. In June, 1916. I have not the date before me.

Senator FLETCHER. Here is the bank's stipulation, dated June 21, 1916:

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir: We understand that in addition to other considerations relating to past management and omissions to comply with certain requirements of the law, you also have doubts as to the propriety of granting an extension of the charter of the Riggs National Bank, because of the Riggs National Bank's resistance of the authority and power asserted by the comptroller's office, culminating in the suit brought by the Riggs National Bank v. Comptroller of the Currency et al., and which was decided by Mr. Justice McCoy on the 31st of May, 1916.

The court sustains the right of the comptroller to have the reports and information called for, and the right to impose fines in accordance with the provisions of the statute, if the bank should refuse them.

In order that the question as to the powers of the comptroller's office heretofore raised by the bank may not be a factor in your decision of the bank's application for the extension of its charter, we desire to assure you that, if the charter of the bank is extended, the judgment of the court, including the upholding of the authority of the comptroller's office and his powers under the national-bank act, will be accepted as final.

Mr. HOGAN. Yes, Senator Fletcher. Over and over again at this first hearing, at which you doubtless were present, he demanded a statement of this people that they would comply with the law. If a man is under obligation to comply with the law by signing his name, he is going to comply with it.

But I say to you that this is the culmination of the long negotiations during which those conditions were imposed. The letters signed by our officials were composed in the comptroller's office, just as he demanded. It is just like this—you send a letter and you will get these things. These men were in duty bound to get this charter. That is the reason they were even willing to humiliate themselves.

By the way, Senators, do you know that the day that we got this charter was so close to the actual date of the termination of the bank's life that we had already gotten a charter from the State of West Virginia and had fitted up a building next door to the Riggs Bank, and even had the signs ready to go out on the front of the bank in order that there would be no interruption to business?

The CHAIRMAN. You say that Mr. Darlington was present when the comptroller demanded that your officers resign?

Mr. HOGAN. Yes, sir. I want to get the facts about that suit clear. It has not been tried yet. We dismissed it. The record shows we dismissed it, and you now know the conditions under which we dismissed it.

I have already told you the conditions surrounding the bringing into being of the Riggs National Bank. Prior to the bank's coming into existence the members of the firm of Riggs & Co. owned two seats on the Washington Stock Exchange. It is an exchange that deals merely in local securities, and its main function is to give a market quotation value to securities for the guidance of those dealing therein. It is a very small exchange, that meets 5 or 10 minutes in each day, and when they sell 25 shares on the exchange the newspapers announce "To-day was very active on the Washington Stock Exchange." It was organized by the bankers to perform this necessary public function.

Originally practically all of the members of the exchange were bank officials, who, at 12 o'clock each day, would meet there and transact for their customers the small transactions in local stocks and fix the bid and ask prices for these local stocks.

Riggs & Co. owned two seats. After they became a national bank one of those seats was transferred to Mr. William J. Flather and the other to Mr. Charles C. Glover, as everybody in the community knew, including every Treasury official who had open eyes and intelligence in his head, and these gentlemen in common with a large number of other bankers were members of that exchange.

Mr. Glover also had placed a large number of real estate loans. He had under his control a very large fund of institutions that only loan money on first-mortgage real estate loans, and it was the policy of Riggs & Co. to educate its clientele, particularly persons who ought to have a very conservative investment, to invest in real estate loans.

It came to the notice of Mr. Glover and his associate shortly after the organization of the bank, in 1896, that the national bank act did not permit the dealing directly in real estate loans. So Mr. Glover formed a partnership.

I ought to say to you, gentlemen, that only five men owned all the stock of the Riggs National Bank. The stockholders were meeting every day; so there was not that same duty imposed as there is with reference to stockholders who are unknown and own widely distributed stock.

Mr. Glover and his associates formed a partnership known as the firm of Glover, Hyde, Johnston, and others. The two "others" were Mr. Flather and Mr. Brice.

That partnership had a capital of \$30,000 paid in individually. They loaned money on real estate. Everyone in the firm, with the possible exception of one, were very wealthy men. The custom in the District of Columbia is to charge the borrower a commission on the amount of the real estate loan, those loans to be taken by Glover, Hyde, Johnston, and others; and if you were a depositor, Senator Henderson, in the Riggs Bank, accustomed to put your money in first-mortgage notes—and on account of Mr. Glover's almost infallible judgment in real estate values, he has a record of 60 years and not one single penny lost, while millions were invested—you would go to Mr. Glover and say, "I have got \$10,000, and I do not want to carry that large amount of money at no interest, and I would like to get a \$5,000-real estate loan."

You would go to Mr. Glover, because you were a Riggs National Bank depositor and you would depend upon the officers of that bank for information and advice regarding the character of the investment you wanted to make. If Mr. Glover's firm at that time had a note that they would recommend, that note would be sold to you and you would check out \$5,000 and take the note and that would be yours thereafter. You would be charged nothing; you paid absolutely nothing. The borrower had to pay the commission to Glover, Hyde, and Johnston.

At the same time there were some relatively small amounts given in commissions from the purchase of stocks and bonds. As I say, the commissions earned by Mr. Glover and Mr. Flather as members of the local stock exchange were small at that time. Sales and purchases on the New York Stock Exchange were at that time credited to the bank in what was known as the commission account.

That condition existed until April, 1902—from 1897 to 1902—when the bank stock started to be distributed. Others started to come in. None of the bank's officials, as is true of a large number of our other banks, had any outside business; that is, we did not have a man who was in the mercantile business as president of the bank. His sole business, except as regards his membership on the stock exchange and his little brokerage business, was connected with the bank. Therefore, when other stockholders became interested in the bank's activities and business and deposits, it occurred to Mr. Glover that while he had a perfect right to make those commissions, the fair thing, the big thing, was to turn those commissions over to the bank so that their stockholders might share in the earnings of its business.

He suggested that to Mr. Flather, and it was decided that in view of the fact that other stockholders were going to come in, that ought to be done.

So, from 1902 and for some years thereafter, that money so earned went to the bank and was credited to what was known as a commission account.

Some years after that Mr. Owen T. Reeves, a national bank examiner, who is now vice president of the big Corn Exchange Bank in Chicago, and who went to the Corn Exchange Bank from the Drovers' National Bank, where he had been president, a big man, as I understand it, in the banking world in Chicago—Mr. Reeves, as I say, in making one of his examinations of the bank, inquired of the money that went into the commissions account and was informed of the facts that I now inform you of. Mr. Reeves so testified in court, on his oath, in the criminal prosecution.

Mr. Reeves stated that it was perfectly proper for the officers to earn these commissions, but that he felt that when the commissions were earned they ought to be put to the officers' credit and not to the credit of the bank. At his suggestion, a suggestion which he made in his report to the comptroller's office, there were opened two accounts, one account known as Flather and Flather—Mr. William J. Flather and Mr. Henry H. Flather—into which commissions earned either by Mr. Glover, Mr. Henry Flather, or Mr. William Flather on the purchase of stocks and bonds were credited. Another account was known as Glover and Flather, into which any commissions made on real-estate loans would be credited.

Those accounts were perfectly open to every bank examiner that came into the bank. They were there, as I remember it—I may not be accurate about this—but approximately for eight years prior to Mr. Williams' incumbency of the office of comptroller. Although advised that they had a legal right and a moral right to those commissions, and although they knew that practically every other bank at that time in the city of Washington had a president or other officers who were engaged in other businesses, and that in the businesses in which they were engaged they made their money openly and legitimately, Mr. Glover and the Messrs. Flather took the position that that money should go to the bank.

As Owen T. Reeves, the national bank examiner who came on from Chicago here in the criminal case to testify, said, under oath, that the condition was most unusual in this, that in almost every bank he had examined there were some earnings that the officers had used themselves, but in this case he found a national bank where its officers, who were making commissions legitimately, were turning them over to the bank.

Senator HENDERSON. That would be converted into the profit and loss account?

Mr. HOGAN. Right, Senator. It did not lose a cent, but making money—

The CHAIRMAN. If it was a strictly commission business, they could not lose.

Mr. HOGAN. I am talking about the bank. The bank got this money.

There was no law that prevented officers of national banks from making these commissions. The fund was also a convenient fund for quasi-public purposes. For instance, a national bank, as such, would not have the right to contribute to the fund raised in the city of

Washington to defray the necessary expenses incident to the inauguration of President Wilson; but from this money, which was legally theirs, they contributed the sum of \$1,000 to the inauguration fund.

Senator NEWBERRY. Was that made in the name of the bank?

Mr. HOGAN. And then the bank gets the name. Just as Congress recognized and allowed contributions to be made to the Red Cross by law. Before that time they could not do it. If we sent the cashier of that bank to the American Banking Institute, everything he would do or would learn would inure to the credit of the bank, and his expenses were paid out of the Glover and Flather or Flather and Flather accounts. Moreover, if the bank, as it occasionally—but with wonderful rarity—had a bad loan, Flather and Glover would buy that loan. I am only giving these matters for illustration. Yet the comptroller refers in one of his communications to that as a slush fund. That is the way he characterized it.

Senator HENDERSON. What is the object in putting it into the individual names?

Mr. HOGAN. It was directed by the Treasury Department through Mr. Owen T. Reeves.

Senator HENDERSON. I understand; but if some of those men had died, would it not have caused court proceedings?

Mr. HOGAN. Not at all, because the bank had no legal right to it. Voluntarily, from time to time, it passed to the bank. The Treasury Department held that the bank had no right to make commissions. That would have been a brokerage business. That was perfectly well understood.

Senator HENDERSON. Really, it was entirely voluntary on the part of Glover and those men to turn it over to the bank?

Mr. HOGAN. Precisely; and the contention always was that the business out of which these commissions were made was business which they had a legal and moral right to engage in.

We called from Chicago and Baltimore the national bank examiners who had examined this bank, and they said on their oaths in the criminal proceedings that those facts were made known to them and they examined those books and knew that. Yet by distorting the facts connected with it you find volumes of correspondence denouncing that practice in the business.

Along in 1914, after the Federal reserve act was passed, there was a clause in it which provided that no bank officer could receive any compensation other than his salary fixed by the board of directors. Personally, my contention is that that would have no reference whatever to what a bank officer earned from some business not connected with the bank. In order that they would not contravene the spirit if not the letter of the act, in 1914 the officers voluntarily decided that they would no longer engage in that commission business.

Senator HENDERSON. I would like to get the chronological order of this stock exchange matter that you have just gone into, and the real estate loans. When was the stock exchange organized or created, and when did Mr. Glover become a member of it, and also Mr. Flather?

Mr. HOGAN. Back in the 90's. I can not give it to you exactly.

Senator HENDERSON. That continued until 1902? Those conditions continued until that time?

Mr. HOGAN. Right.

Senator HENDERSON. Then in 1902, upon the recommendation of the Federal bank examiners, the accounts were changed so as to be in the individuals' names?

Mr. HOGAN. No. In 1902 the firm of Glover, Hyde & Flather went out of existence and from that time until—I have not the date in mind, but approximately 1906, the commissions were credited to the commission account of the company.

Senator HENDERSON. And that continued until 1914?

Mr. HOGAN. No; until 1906, when the Glover and Flather and the Flather and Flather accounts were opened.

Senator HENDERSON. How long did that condition from 1906 continue?

Mr. HOGAN. 1914, so far as the earnings of the commissions were concerned. They were given to the bank, except such as were used for the purposes that I have indicated.

Senator HENDERSON. No objection had been made by any inspector or Federal official?

Mr. HOGAN. No, sir. In 1913, Mr. Reeves having resigned, a new bank examiner for the first time examined our bank—Mr. Samuel M. Hann. Mr. Hann was at that time unknown to our bank, but the character of bank examiner he was and the man himself might be inferred from the fact that he is now vice president of the Fidelity Trust Co. of Baltimore, a very large and well-standing trust company.

He made, in June, 1913—just one year prior to this controversy—an examination of the bank, a thorough examination. In his report he put in a special page in which he gave Mr. Glover's statement regarding the Flather and Flather and the Glover and Flather accounts in substance as I have given them to you here.

I have a photostatic copy of the report which came from the comptroller's office in response to a subpoena, giving the report on the Riggs National Bank dated May 15, 1913, signed by the examiner.

He goes on to tell by whom he was assisted; and I am going to call your attention to this because this was in Comptroller Williams's possession and was part of the official records of his office and was during the time that he repeatedly stated that this bank had collateral that was poor, that its management was poor, that its books were not well kept, and what not.

Senator HENDERSON. Would it not be well to put that statement in the record, in view of your testimony here?

Mr. HOGAN. Yes, sir. I marked two very important pages here. There is a question here on page 4 of the schedules——

Senator HENDERSON. Of what date?

Mr. HOGAN. May 15, 1913.

1. Fixed general character of loans.
2. Whether well distributed.
3. General character of collaterals.
4. Whether corporations or enterprises in which directors or officers are interested borrowed to an undue extent.

5. Any large liability of director or officer as maker or indorser—describe fully.

6. State whether all paper claimed by the bank as its property, including collateral, is properly indorsed or assigned to it, and all mortgages properly recorded.

7. Give current rate of interest obtained.

8. Itemize losses not given on page 3.

9. Does the bank place paper with other banks; and to what extent?

I will give you the answers made by the bank examiner at the 1913 bank examination.

1. General character of loans are first class in every particular.

2. Very well distributed.

3. Of total loans, \$8,700,000 are secured by collateral; 90 per cent of which are secured by marketable and quick collateral.

4. Enterprises in which directors are interested have not borrowed to an undue extent.

5. No director has borrowed to an undue extent. All direct loans to directors are secured by quick collateral, with exception of three different loans which are unsecured, but perfectly good.

6. Have loaned American Creosote Works \$70,000, indorsed by Director Labrot—reputed worth \$2,000,000—\$3,000,000.

6. All papers and collaterals are properly indorsed and assigned.

7. Current rate of interest 5 per cent—no commission on real estate loans.

8. No known losses.

9. Do not place paper with other banks.

10. Do.

11. Do not take loans to accommodate other banks.

12. Do.

That was before the comptroller when he started his crusade.

Senator CALDER. What date was that?

Mr. HOGAN. May 15, 1913.

Not only that, but there was before the comptroller—not having this very paper, I do not know whether Comptroller Williams marked it, but this very paper bears marks that I venture to say there will be no denial of by Comptroller Williams as being his work, because after the same habit of underscoring papers and letters, when he gets this paper before him he marks it up in very fantastic ways.

Reading from the same report of Bank Examiner Hann:

GENERAL REMARKS AS TO CONDITION OF BANK.

I would like you to hear this, Senator Calder.

Summarize matters to which special attention should be called, using form 2199 if necessary. Include certificate relative to solvency, by-laws, management, and condition of books, as required by Circular 70.

That is answered as follows:

Your examiner spent 10 days in the examination of this bank—he was assisted for 2 days by Examiner Dorsey, in addition to his own regular assistants.

In addition to checking every collateral loan in the bank, all collateral pledged for safe-keeping (there are as many as those pledge to secure loans) were checked back.

Twelve individual ledgers were checked, and a careful audit of every department made.

In my judgment, this bank is absolutely solvent; the by-laws are satisfactory and are followed; the management is safe; the books show its real condition, and are so kept that the examiner can readily make a thorough and complete examination of the bank.

To the inquiry, "What elements of danger are in the bank?" he answered, "None."

In May, 1914, one year after that, Examiner Trimble, assisted by various assistants, made a report. We repeatedly asked the Comptroller of the Currency whether or not there was in that report any matter that ought to be brought to our attention for correction. So far as my recollection now goes, up to this date, neither that report nor any extract that has been sent to that bank has contained any criticism, and therefore, if there was any criticism, it has not been made known to the bank.

The significance of this paper and this statement is this, that the condition which existed when Mr. Hann examined that bank in 1913 was the precise condition that existed in March, 1914, and in June, 1914, when Mr. Williams started his drive on the bank. There had been no change in its personnel; there had been no change in the methods of its business; and there had been substantially and practically no change in the character of its collaterals.

The CHAIRMAN. If there had been any change it was for the better, was it not? The bank has grown stronger every year of its life?

Mr. HOGAN. It has grown stronger every year of its life; and not only that, Senator, but a remarkable thing occurred, and that is that the effort to drive this bank to the wall was the thing that helped it more than anything else. When we filed that bill in equity in 1915 we had \$8,000,000 deposits. We had formerly averaged a couple of millions of Government deposits. Of course, a run on the bank was to be expected, but instead of a run, on the day we filed the bill our deposits increased, and to-day, I do not know the exact figure, but we have passed the \$25,000,000 mark, and nothing that the comptroller ever could publish that would hurt that bank did he fail to publish.

He said to this committee in the hearings here that he thinks it is not too much to say that he saved the bank, and he knew when he said it, if he knew anything that a comptroller ought to know, that the Riggs National Bank was as strong as the Rock of Gibraltar at all times, and that there was never a time that it was in danger except when we feared the result of his alleged official actions.

When I call your attention to this report that I have read may I in the same connection show you what is characteristic not only in the correspondence, not only the published statements, not only of his claim about Judge McCoy's decision, but characteristic of his testimony here before you? A word will save the truth, but will give a wrong impression. I want to show to you, Senators, that Mr. Williams is an expert in the art of using half truths—the most vicious form of falsification. I am going to show you how he does it. If I only had the time I could show you a great deal of it, but I can show examples of it in an instant here. He has invariably used some one expression that would give a wrong impression to the whole thing; and he would use this expression when he started to issue his public statements. Of course, the first public statement came out after we brought the suit. You have heard what the examiner said about the collateral. Here is a letter from Williams, received August 11, 1914, dated August 10, 1914.

The law requires that the Comptroller of the Currency see to it that there be kept on hand for the use of national banks circulating currency notes to an amount equal to 50 per cent of the capital of

the bank. Our capital was \$1,000,000. Our surplus was \$2,000,000 in 1914, and is now.

When he started his drive on the bank—because it can not be characterized as anything else—our undivided profits were, in round figures, approximately \$240,000. Our surplus was not then and never had been and never has been impaired one penny. We were at that time, and had been for some time, paying an annual dividend of 26 per cent on the par value of that stock, and still increasing year by year the reserves in the way of undivided profits behind our loans. We found in the spring of 1914, around the summer of 1914, by inquiry at the Treasury Department that the law had been violated with respect to the amount of notes of the Riggs National Bank for circulating currency kept on hand subject to our demand.

That information came to us after the European war had broken out. It was, in the opinion of the best-informed financiers of this and other countries, a perilous time. The Congress had provided for emergency currency in addition to the regular circulating currencies available to all national banks. Instead of \$500,000 in circulating notes—because the regular circulating notes and the emergency notes were no different for the Riggs Bank—being in the Treasury Department, we found that the amount had been depleted.

I am speaking from memory and may not be exactly accurate, but it was in the neighborhood approximately of \$200,000. We asked, as against the possibilities of the future and of the times and as against the ordinary needs of our own circulating currency, we having a million dollars of bonds deposited to secure that currency, that there be at least \$1,000,000 worth of our circulating notes printed and held on hand against needs that might arise. Finding that that had not been done, in August, 1914, we asked that the printing be expedited.

Mr. Williams seized upon that request to indulge in a long correspondence for us to submit to him a list of the commercial paper and the securities which we had which could be pledged for emergency currency.

We told him, first, that we were not asking for that, and had no need of it, and, secondly, that the law provided, under the Aldrich-Vreeland Act, that we could apply through the Washington branch of the National Currency Association and submit to the comptroller's office, through that association, as all other banks were required to do, a list of the securities that we offered to pledge for the emergency currency.

When we told him that there was not any question about it, that we did not need it, and if we did need it we would go through it in the regular way that the law required, he came back and said, "You submit the report called for, nevertheless. Make your submission directly to this office."

I digress to say that during the European War and during our participation therein the Riggs National Bank never called for any emergency currency. This bank, which he told your committee he saved, never had any need for any emergency currency; and the only emergency currency was this: Some of our banks that were not under Mr. Williams's fire did need emergency currency, and the other banks of the currency association were decent enough to say

to the very few banks in Washington that needed the money "We will not put you in the position of asking for emergency currency when no other bank asks for it. We will not have attention attracted to your less well-off condition." So all the national banks agreed that when one of the banks had to apply for it they would all simultaneously apply for an amount not less than \$25,000.

So, at one time, we did ask, subsequent to this correspondence, for \$25,000 that we never used; and I am informed that we never opened the package of it and that some other banks also applied for it and only put it in their vaults.

Notwithstanding the fact that if we did apply, the law provided what our bank and every other bank should do to get that emergency currency, and notwithstanding the fact that I make bold to assert that he did not go after any other bank in the District of Columbia directly for this same information, he insisted, under the penalty of \$100 a day, "That you submit over the signature and under the oath of your president, your two vice presidents, and your cashier a list of notes," that we called commercial notes, and a list of securities that we would submit to him in the event we asked for currency. In other words, he adopted the plan of the silly question:

"Does your brother like soup?"

"I have no brother."

"Well, if you had a brother, would he like soup?"

In one of his letters he did this thing.

Notes and obligations of speculators and others, secured by the hypothecation of mining and other stocks and bonds, have not up to this time been approved by this department as the kind of security upon which the comptroller's office is ready to recommend, or the Secretary of the Treasury to approve the issuance of additional currency under the act referred to, and as the latest report of your bank, June 30, 1914, indicates that more than \$5,650,000 of your funds are tied up or held in such loans—the loans constituting approximately 80 per cent of your total loans—the question arises as to the amount of currency which you may be prepared at this time promptly to take out in the event that we should "hurry" forward the engraving of your notes, as requested.

Now, Senators, I submit to you that any man reading that language would read as a statement from the comptroller's office that the notes and obligations of speculators and mining and other stocks were the leading features in the collateral behind the bank, would they not? Always, however, with that characteristic cunning, you find that phrase, "and others."

But when he gets down here he says, "More than \$5,650,000 of your funds are tied up or held in such loans."

Not only has that language been written in these letters, but that is the kind of stuff that he sends out to the public; and he did it when he knew of this official statement of examiner Trimble, which must have been submitted to him in June, 1914, and when he knew, from the receipted lists of our loans that were available to him and to his examiners that mining stocks and notes of speculators were so infinitesimal proposition of the banks' collateral as to be negligible. He knew that the amount of such collateral was of very small import, and in most instances back of the collateral was the honor and the ability of the maker of the note. He knew those things.

Let me tell you another thing. I have read you one and I can illustrate that by another one. I am going to show you something in

here which will show you his methods. Do you think that any man that did those things in a public office is fit for a public office? When I say that I am stating my personal opinion in the record.

But suppose we had a note of \$100,000 and back of it there was nothing but the good name, or even without the good name there was collateral, let us say, in the way of Pennsylvania Railroad bonds of \$100,000, Union Pacific stock of \$50,000, and the borrower had put in perhaps \$100,000 more of good collateral, but in there he had some copper-mining stock. Mr. Williams would have picked out those stocks. He would have thrown them in the waste basket. He would say, "Collateral for A. B. C." I do not want to make the same mistakes he made when he listed Inspiration copper. When it was par at 20 and was selling at 18 he put it down as wildcat stock. I wish you would read the August 11 letter in connection with this. I ask you to read them together and form your own opinion.

Now, I go back to some of the other things. Let me tell you something before you adjourn about the outcome of the criminal suit.

Mr. Williams, in addition to "temerity," has another bad word—"evasive." He writes letters of this kind:

"You are hereby directed to answer explicitly, unequivocally, categorically, and unevasively," or "without your usual evasive manner," in his requests for information from the bank.

I am going to come back to that another time, because you asked me the question about this Flather and Flather account, and I want to tell you about that.

No man in this community has ever borne a better reputation for honesty and probity than Charles C. Glover. I do not think it is unfair to say that for years Mr. Glover was among our private citizenry recognized as our first citizen.

His bank had been the depository, down to 1913, of every President for half a century. He was an intimate of most of those men. His bank was the depository of Abraham Lincoln. He was a man very solicitous about his honor and his scruples, and it will be remembered that he was haled before the bar of the House of Representatives for having slapped a Member of that body in the face because he had attacked his honor.

When Mr. Williams, in June, 1914, asked about these commission accounts he asked it for the year ending June 1, 1914. I called your attention to that a little while ago; and in the subsequent correspondence he asked for information regarding commissions charged on real estate loans or stocks "now in your bank as collateral for loans made by your bank."

The attention of Mr. Glover, therefore, was naturally focused on the condition then existing in the bank, and the letter that Mr. Glover and the other officers sent back, stated, and stated very emphatically, that none of those commissions had been appropriated by the officers to their own use, and gave the Glover and Flather and the Flather and Flather accounts and how the commissions were kept and what was done with them. That statement, like all other statements, was required to be made in writing and sworn to.

Mr. Glover has an only son, Charles C. Glover, jr., and this son was attacked in the summer of 1914 with a very serious and malignant disease. Mr. Glover's mind was naturally focused on the con-

dition of his son. He had to come back here to take care of his correspondence, and then he would go back to the boy. From Lake Placid Mr. Glover's son was moved to Canada in July, 1914, and under very excellent surgical treatment he recovered.

Therefore, there were times when Mr. Glover was out of the city when this correspondence was going on.

Returning in July, 1914, he read over all the other correspondence which gradually broadened in the scope of the inquiries therein contained, and there flashed across Mr. Glover's mind the fact that of the commissions on real estate loans made by the old firm of Glover, Hyde, Johnston, and others which had gone out of existence in 1902, they had taken commissions as their own profits as they had every right to do. The comptroller had said nothing about that at all, nor had any one else. But Mr. Glover saw that the scope of the inquiry which he had concluded had only to do with the times then in the bank, might be construed to apply to all times, so he voluntarily sat down—I think it was on July 22, 1914—and wrote the comptroller making a correction. He did just what any of you gentlemen would do when your mind came back to a thing that had been forgotten.

He wrote this letter on June 17, 1914:

HON. JOHN SKELTON WILLIAMS,

Comptroller of the Currency, Washington, D. C.

SIR: Because of my failure to sign and swear to the letter dated the 14th instant, from this bank, in particular reply to your letter and interrogatories of the 2d instant as was explained in the first-mentioned letter. Being in Washington for this day only—it being my intention to return this afternoon to Montreal, where my son lies dangerously ill in the Royal Victoria Hospital (he having been removed there from Lake Placid)—I take this opportunity to advise you that I subscribe to the contents of the letter from this bank dated July 14, and signed by its vice presidents and cashier in detail and in their entirety, and I hand you herewith my sworn replies to the interrogatories, 20 in number, propounded by you for my consideration and reply. My replies speak as to values of collaterals as of July 14, 1914.

On rereading the entire file of the correspondence which has passed between you and this bank, or its officers, since June 9 last, my attention has been attracted to the contents of the third paragraph of my sworn letter to you dated June 18, 1914, wherein I undertook, wholly apart from any inquiry or demand on your part, to review the practice of the members of the firm of Riggs & Co., and subsequently of the officers of the Riggs National Bank to assist customers of the bank in making investments.

In such paragraph I observe that I said:

"After the incorporation of the Riggs National Bank this business was continued by the officers of the banks as individuals, the compensation received therefor being at first passed directly to commission account, but later, with the knowledge of bank examiners was passed to the credit of two accounts opened for that purpose, one in the name of 'Glover and Flather' and the other in the name of 'Flather and Flather.' The balance to the credit of 'Glover and Flather' was transferred on the 17th day of April, 1914, to the account of 'Flather and Flather,' thus consolidating the two accounts."

This statement was and is incomplete to the extent that through pure oversight I omitted to say that from January, 1897, to May, 1902, the business of making real estate (but no other) investments for customers of the bank was done by and through the firm of Glover, Hyde, Johnston, Arthur T. Brice & William J. Flather, each and all being at the time officers of the Riggs National Bank. Said firm was possessed of a paid-in capital of \$30,000, and all profits, by way of commissions or otherwise, derived from such business were passed directly to the credit of said firm on an account carried in the name of the firm on the general ledger of the bank, and all such profits were divided directly among the members of the firm. To such extent and for the period mentioned officers of the bank did directly profit by the commissions on such transac-

tions. Otherwise than as here indicated my narrative respecting the practice of the officers of the bank in the making of investments for customers of the bank was and is in all respects exact.

Respectfully,

CHAS. C. GLOVER, *President.*

That was written to a public officer, gentlemen.

The result of it was that Mr. Glover was not exactly characterized by the use of the short and ugly word, but, in substance, denominated a liar and perjurer by Mr. Williams in this remarkable communication:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, July 22, 1914.

To the PRESIDENT THE RIGGS NATIONAL BANK,
Washington, D. C.

SIR: I acknowledge receipt of your letter of the 17th instant, inclosing what purports to be sworn "answers" to certain interrogatories submitted to you and other officers of the Riggs National Bank under date of the 2d instant, and informing me that you were leaving the same day for Canada on account of illness in your family, of which I learn with regret.

Certain reports having reached this office relative to the methods and practices of the Riggs National Bank, I saw proper to address you, under date of June 9, 1914, a letter calling for certain information in regard to the condition and transactions of your bank. Especial inquiry was made as to commissions charged in connection with the placing of real estate loans, etc.

If you go back you will find that entry with respect to the commissions made for the year ended June 1, 1914, but that statement did not serve the purpose here, so "etc." is put in.

In response to a letter from you dated June 12, in which you sought permission to delay furnishing the information called for until you should have the opportunity of discussing this subject with your board of directors, you were informed, under date of June 13, that further procrastination would not be acceptable to this office.

I stop to call your attention to these things, that on the 9th we got the letter and on the 10th we acknowledged it, and on the 12th we say that we want to bring the matter to the attention of the directors on the 18th, because in the summer time it is as hard to get together a board of directors as it is for you gentlemen to get enough Senators together to make a quorum on this Banking and Currency Committee.

You replied on the 15th, complaining that you should be called on for such information. You referred to the authority claimed by this office as "inquisitorial" and of "very doubtful legal foundation."

I answered your letter under same date and said—

I need not quote it; it is too long.

Thereupon I received from you under date of June 16 a letter in which you said—

Now we get into the capitals. There was no red type in this, because the typewriter, I suppose, did not have it:

IN THE MEANTIME, HOWEVER, WITHOUT WAITING FOR SUCH MEETING, I TAKE THIS OPPORTUNITY TO SAY THAT THERE IS NO FOUNDATION IN FACT FOR YOUR SEEMING ASSERTION THAT ANY OFFICER OF THIS INSTITUTION HAS PERSONALLY PROFITED BY ANY COMMISSION RECEIVED ON OR IN CONNECTION WITH ANY TRANSACTION FOR OR ON ACCOUNT OF THIS BANK.

THE ABOVE WAS DENIAL NO. 1.

The following day, June 18, I received a letter from you in which you said: "I did mean to say and do now say that *no officer of the Bank has personally profited by any commission received on or in connection with either real estate loans or bonds or stocks purchased for customers or depositors of the Bank or borrowers of money therefrom. I further say that I have never personally received and kept commissions on account of real estate loans placed with or taken by depositors of the Bank who withdrew funds which they had on deposit with the Bank in making settlements for such loans, and have no reason to believe that any other officer of the Bank ever did so!*

THIS WAS DENIAL NO. 2.

A little further on in the same letter you say:

"After the incorporation of the Riggs National Bank this business was continued by the officers of the Bank as individuals."

And that, gentlemen, I have already read to you. Then he goes again to capitals—

NO ONE OF THEM EVER CLAIMED OR INTENDED TO CLAIM ANY PART OF SAID COMMISSIONS, AND NO ONE OF THEM HAS EVER RETAINED ANY PART THEREOF FOR HIS OWN BENEFIT. Amounts have been withdrawn from said accounts at various times for the benefit of the Bank; NOTHING HAS EVER BEEN WITHDRAWN BY THE OFFICERS FOR THEIR PERSONAL BENEFIT, AND NO ONE OF THEM HAS EVER PROFITED PERSONALLY THEREBY.

Which, if one wanted to be technical, is literally true, because after these accounts were established under the direction of the bank examiners there had been no withdrawals, and the only erroneous inference that could have been drawn from Mr. Glover's letter was that which I have referred to as a pure oversight.

After quoting this he said:

THIS WAS DENIAL—COMPLETE, EXPLICIT, AND UNEQUIVOCAL—NO. 3.

Then he goes on and says:

The foregoing denials Nos. 2 and 3 were sworn to before William H. Dorsey, notary public, on June 18, 1914.

Then he quotes some more, and then he says:

This office had reason to believe that your statements, although made under oath, were not true, and I am in possession of affidavits sufficient to prove their incorrectness.

Those affidavits must still remain in his possession, because although he was given opportunity to drag in anything in the court proceedings, he has never disclosed those affidavits.

After I had secured these affidavits, I received from you your letter of July 17, in which you *acknowledge* that statements heretofore made by you under oath were not true, claiming that certain inconsistencies were the result of "pure oversight."

Gentlemen, this is not the personal correspondence between two men who have a difference of opinion. This is the official communication by the sworn officer of the Government whose duty it was to try to protect this institution if there was anything to be protected. This is a communication of a man who, with fervent solemnity, informed this committee in response to Senator Weeks's request in 1913 that if he was confirmed as comptroller no hostility and no prejudice would govern his actions.

You thereupon admit that *for a period of more than five years, or "from January, 1897, to May, 1902," the business of making real-estate (but no other) investments for customers of the bank was done by and through the firm of "Glover, Hyde, Johnston, and others," which firm was composed of*

"myself" (C. C. Glover), "Thomas Hyde, James M. Johnston, Arthur T. Brice, and William J. Flather, each and all being at the time officers of the Riggs National Bank." You inform me that this firm or partnership or confederation, whatever it may have been, had "a paid-in capital of \$30,000," and you now confess that—

"ALL PROFITS BY WAY OF COMMISSIONS OR OTHERWISE DERIVED FROM SUCH BUSINESS WERE PASSED DIRECTLY TO THE CREDIT OF SAID FIRM on an account carried in the name of the firm on the general ledger of the bank; AND ALL SUCH PROFITS WERE DIVIDED DIRECTLY AMONG THE MEMBERS OF THE FIRM. To such extent and for the period mentioned OFFICERS OF THE BANK DID DIRECTLY PROFIT BY THE COMMISSIONS ON SUCH TRANSACTIONS.!"

There is superadded an exclamation point.

This means, in plain English, that after you had solemnly, indignantly, and repeatedly denied, under oath, that you had ever, under any circumstances, appropriated for your personal benefit any portion of the commissions received by you, an officer of the Riggs National Bank, for placing real estate loans for the customers of the bank, you now, after certain things have been developed by this office, suddenly remember that *for a period of more than five years* you and other officers of the bank had deliberately pocketed and divided among yourselves *all* these commissions collected during the period mentioned, estimated to amount to many thousand dollars, which your former statements had solemnly declared had gone solely to the credit and for "the benefit of the bank."

Comment by this office seems superfluous.

It might have been superfluous before the comment had been made. He says:

Among the "high-class, marketable, local and out of town stocks and bonds" I note the following:

- 200 shares St. Louis & San Francisco preferred stock.
- 100 shares Rock Island Railroad preferred stock.
- 100 shares Rock Island Railroad common stock.
- 200 shares Missouri Pacific Railroad stock.
- 200 shares Inspiration Consolidated Copper stock.

We might have called his attention to the fact, when he was making his comments regarding the character of collateral we had, that he had overlooked the fact that among the very large amount we had a Georgia & Florida Railroad bond, signed by John Skelton Williams, as president, which was perhaps the most worthless thing we had in the bank; but our attention was never called to that. We were never required—

Senator HENDERSON. Just a moment, before you proceed on something else.

When did the bank receive the letter from the comptroller for its report to which these answers that you have just read were made?

Mr. HOGAN. There were a number of letters. The letter that I have just read, written July 17, 1914, by Mr. Glover, was in correction of the statements that he had made in June, 1914, and early in July, 1914.

Senator HENDERSON. The period of a few days only, was it?

Mr. HOGAN. Well, a period of approximately a little less than a month. That would be fairer, Senator.

Senator HENDERSON. Was the letter written by Mr. Glover, calling attention to the commissions that they had individually taken between 1897 and 1902, written voluntarily on his part?

Mr. HOGAN. Yes, sir. It was never intimated by the comptroller in any way, directly or indirectly, or in any of his correspondence that he even knew of the Glover-Hyde-Johnston firm until we wrote

that letter. It was an absolutely voluntary thing caused by the fact that when Mr. Glover returned from his son's bedside, sitting at his home here, he had gone over all his correspondence which at that time had gotten up to approximately 150 printed pages.

Senator HENDERSON. The inference that I drew from the reading of that portion of the letter of the comptroller was that Mr. Glover had written this letter probably having heard of the affidavits that had been sent to the comptroller.

Mr. HOGAN. Certainly. That is the only inference you can draw.

Senator HENDERSON. Do you know whether or not the bank had received any knowledge, or that Mr. Glover had any knowledge of the existence of these affidavits?

Mr. HOGAN. None whatever. That was a characteristic statement. You drew the inference that everybody would draw, that Mr. Glover, having made a voluntary correction, being a man of honor, a man to whom two former Presidents of the United States journeyed to Washington to pay public sworn tribute to his character, having discovered his own mistake, without the slightest intimation from the comptroller, voluntarily did what any man of honor would have done—he made a correction. He received an official communication, which carried with it, Senator Henderson, the inference which you so correctly drew. It not only was an official communication, but it said in substance to Mr. Glover, "You lied." There is no other way of getting out of it. "You lied under oath." It was an official communication which further, without the slightest foundation of fact, intimated that you could draw the inference that Mr. Glover had made his correction after he, to use the comptroller's own language, knew that the comptroller had in his possession certain affidavits showing the statement to be false.

The CHAIRMAN. The committee must go into executive session at this time, Mr. Hogan, and it will resume its hearings to-morrow morning at 9.30 o'clock.)

(Whereupon, at 1.20 o'clock p. m., the committee went into executive session, and the hearing was adjourned until to-morrow, Thursday, July 10, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS.

THURSDAY, JULY 10, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., Senator George P. McLean presiding.

Present: Senators McLean (chairman), Frelinghuysen, Calder, Newberry, Keyes, Fletcher, Kendrick, and Henderson.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. J. J. Darlington, Mr. Frank J. Hogan, Mr. Wade H. Cooper, and others.

The committee had under consideration the nomination of Mr. John Skelton Williams as Comptroller of the Currency.

The CHAIRMAN. Mr. Hogan, you may proceed.

STATEMENT OF MR. FRANK J. HOGAN—Resumed.

Mr. HOGAN. Senators, when the committee recessed the hearing yesterday I had called the attention of the committee to the character of the response made by Comptroller Williams to Mr. Glover's letter of July 17, 1914, voluntarily correcting a previously erroneously made statement.

On July 17, 1914, the bank, in a communication signed by Mr. Ailes and the Messrs. Flather, wrote a long letter to Comptroller Williams, transmitting voluminous statistical statements which he had required in the answers to 20 interrogatories which he had propounded, and in that letter to the comptroller these officials of the bank said the following—and I am reading this in line with the statement I made that this indicates the character of that man's response to decent, courteous, official communications sent to his office.

In this letter from the bank officials, dated July 17, 1914, after transmitting the various things, the bank said this:

On three occasions only, and the latest nearly 10 years ago, question was raised as to whether the bank as such was engaged in the brokerage business. In reply, it was then, as now, fully explained that the business referred to was carried on by the officers of the bank in their individual capacity, and that while legally entitled to appropriate the earnings from such business to their individual accounts, they nevertheless, in view of the relation to the bank, deemed it proper ultimately to pass such profits to the beneficial use of the bank itself. Further inspection of these communications shows that no criticism from your office respecting this practice has been received at this bank since October 22, 1904. On the contrary, it is our understanding that the former comptrollers and the former Secretaries of the Treasury, having carefully and at length considered the practice of the bank in this regard, reached the conclusion that the

same was not in any respect forbidden by any provision of the national banking act.

In view of the above summary of the contents of the communications received from your predecessors in office during the entire period of this bank's existence as a national bank, is it fair or reasonable for you to suggest that the officers of this bank have been persistent violators of the law or indeed that they have been indisposed in any respect whatever to obey every requirement of the law, as well as of the rules and regulations of your office?

If, notwithstanding all the above facts, you are of opinion that any practice of this bank or of its officers does violate either the law or the rules and regulations of your office, then we respectfully submit that you should inform us specifically as to each and every of such practices to which you object and your reason for so objecting. Upon the receipt of such information we shall at once do all in our power to comply with any legal instructions or suggestions that you may give.

Could anything have been fairer than that, written by bank officials as early as July 14, 1914, within a month and eight days after this correspondence opened with the Comptroller of the Currency, who had stated to your predecessors on this committee that personal animosity or hostility would not in the slightest affect his official acts?

That was on that date. Now, I am going to show you how he responded to these things. On July 28, 1914, replying personally to Mr. Williams's letter of July 22, which I read yesterday, in which Mr. Williams endeavored to charge Mr. Glover with intentionally making false statements under oath, Mr. Glover referred to Mr. Williams's statement that he had evidence in his possession of "other mistakes," as Mr. Glover characterized them, or "untruths," as Mr. Williams characterizes them. Mr. Glover's letter is a long one, in which he goes into the fact that Mr. Williams had endeavored to make the charge—in fact, had made the charge—that this oversight of his was a deliberate falsification, and stated that in view of his responsibility to the stockholders of the bank his hands were tied, really, from replying to that sort of thing in the way that he would personally reply to it, and in calling attention to what I read to this committee yesterday, Williams's statements that he had evidence showing that other statements were untrue, Mr. Glover in his personal letter to Mr. Williams says this, on July 28, 1914, and I emphasize those dates to show you how early in this thing this attitude was taken:

In your letter you assert that your office has evidence which indicates that other statements recently submitted by myself and other officers of this bank to your office, under oath, are untrue, and you suggest that I, as well as the other officers referred to, shall revise and correct such statements "before this (your) office takes action in the premises."

I might state that although we did not go into the equity suit for a year, "this office" never took any action in the premises. Mr. Glover continues to Mr. Williams:

It is possible that in the recent voluminous correspondence referred to, covering information confusedly asked for by you, involving the examination of transactions of this bank extending back almost to the time of its organization in 1890, and covering thousands of book entries, charge slips, and other memoranda of this bank, mistakes may have been made by myself or by the other officers of the bank. However, after as diligent examination as could be made under the circumstances, neither I nor the other officers have discovered any save one error, of a comparatively unimportant date, which will be designated in the letter heretofore referred to, which will respond to the other inquiries made by you.

If your office has, as you say, evidence in your possession showing that there are one or more such mistakes, then it is inconceivable that you, as an officer of the Government of the United States, or as an honest man, can deliberately

hold back from me and my fellow officers information as to what those mistakes are claimed to be. In assuming such position, you put the Government which you represent and yourself in the attitude of one setting a trap and hiding in ambush until he shall see fit to spring it.

It must be perfectly apparent to you, Senators, that the situation at that time was tense, that over 150 pages of printed matter had passed in less than a month between the bank and the comptroller's office. There was a thoroughly representative, a highly respectable, and a highly responsible board of directors charged by law and charged in morals with supervising the affairs of this bank. That board of directors had these various serious charges against its officers brought to their attention. The officers hid not these facts from the directors but placed them squarely before the directors, and the directors did what everyone of you gentlemen would have done; they decided that a thorough investigation in their own bank was proper and they appointed a committee of three of their members—a special committee—to investigate and make a report; and I call your attention to these things because what the committee reported and the action the board of directors took upon the committee's report was communicated on September 1, 1914, to Comptroller Williams, with a sincere request on the part of the bank's board of directors that he, as the supervising official of the Treasury over national banks, would say to them, "If there is anything wrong, if there is any violation of law or regulation that you find in this bank, if there is any untruth on the part of our officers, kindly inform us thereof, so that we may take appropriate action."

Is there a Senator here within sound of my voice, is there a Senator who will read the hearings before this committee, who would have done otherwise had he been a member of that board? Is there a Senator who has a doubt what the appropriate, the decent and the honorable conduct of a comptroller endeavoring impartially to discharge his official duties in response to such a request from a board of directors would have been? Let me read to you what that special committee said to Mr. Williams, what the board of directors said to Mr. Williams, and then let me read to you what Mr. Williams said to that bank. You gentlemen will none of you have any surprise, when we finish with such parts of this correspondence as ordinary time limit will permit me to call to your attention, that Mr. Samuel Untermyer, as counsel for Mr. Williams, strenuously objected to having this brought before the court. You will have no surprise that Mr. Louis D. Brandeis, after reviewing this entire correspondence, never even mentioned it to the court, and never even mentioned Williams's conduct, but sufficed himself with asking the court to dismiss the equity suit that the bank brought against Williams on the technical ground that it was a suit brought against the United States.

On September 16, 1914, the bank sent the following letter:

SEPTEMBER 16, 1914.

THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: The president of this bank, on the 12th of August, 1914, notified you that on the 10th of August, 1914, the board of directors of this bank at their regular meeting held on that day had passed the following resolution:

"Moved by Mr. Wilkins, seconded by Mr. Johnston, that the entire correspondence and all documents, papers, and statements of every sort connected

therewith, be referred to a committee of three (3) to consist of Messrs. Hurt, Dulany, and Corby, with instruction and authority to consider the same and investigate the practices and conditions therein referred to and to report with their recommendation at the next meeting of the board."

This resolution was adopted after your letter of July 22, 1914, had been read to the board in accordance with instructions contained in that letter. The correspondence referred to was that which has passed between yourself and the bank, beginning with your letter of June 9, 1914, and continuing down to the date of the said meeting.

At a regular meeting of the board of directors held on the 14th day of September, 1914, that committee submitted the following report:

SEPTEMBER 11, 1914.

To the BOARD OF DIRECTORS,

Riggs National Bank.

GENTLEMEN: Your special committee, appointed by resolution adopted at your meeting held August 10, 1914, begs leave to report that it has carefully read the correspondence between the Comptroller of the Currency and the Riggs National Bank, dating from June 9 to August 31, 1914, and it has given special consideration to the letter of the Comptroller of the Currency dated July 22, 1914, wherein it is specifically charged that certain answers made by the president of the bank concerning the disposition made of certain commissions were untrue.

In the opinion of your committee such answers, which the Comptroller of the Currency has designated as Denials No. 1, No. 2, and No. 3, constituted a full and correct exposition of the practice of the officers of the bank respecting the collection and disposition made of such commissions since May, 1902, but such answers were incorrect in that while the inquiries propounded by the Comptroller of the Currency seemed to relate particularly to the period of twelve months ending June 1, 1914, Mr. Glover voluntarily undertook to make his denial extend back to the organization of the bank (A. D. 1896), forgetting that from January, 1897, until May 1, 1902, the firm of "Glover, Hyde, Johnston and others" did take and apply to the personal benefit of its members commissions received from investments made in real estate loans for depositors of the bank. Mr. Glover's letters to the Comptroller of the Currency, dated July 17 and July 28, 1914, constitute in the opinion of your committee a full and entirely satisfactory explanation of his oversight in the particular referred to.

The assertion made in said letter of July 22, 1914, that evidence in the office of the Comptroller of the Currency "indicates that other statements recently submitted by" officers of the bank to that office "are also untrue," is one that your committee can not fully report upon in the absence of more definite information, and therefore recommends that the board of directors request the Comptroller of the Currency to specify the statements referred to by him, and to indicate with such particularity as he may deem appropriate the character of the evidence upon which such assertion is based.

We have reviewed the entire correspondence as above noted, and do not find therein any indication of desire or disposition on the part of the officers of the bank either to withhold information or to answer the many inquiries of the Comptroller of the Currency otherwise than freely, fully and frankly.

Noting the admonition contained in said letter of July 22, 1914—your committee reports—that in view of certain provisions of the Federal reserve act the officers of the bank have definitely discontinued the brokerage business formerly carried on by them in their individual capacities, and fully described by them in the course of said correspondence. The Comptroller of the Currency was informed of such discontinuance on July 29, 1914.

Respectfully,

H. HURT,
H. ROZIER DULANY,
CHARLES I. CORBY.

This report was read, was unanimously adopted by the board of directors, and a copy thereof ordered to be sent to the Comptroller of the Currency.

Thereupon the following resolution was unanimously adopted:

"Resolved, That this board respectfully request the Comptroller of the Currency to specify what statements he referred to in the following sentence of his said letter of July 22, 1914:

"I regret to have to inform you that this office has evidence which indicates that other statements recently submitted by you and other officers of your

bank to this office, under oath, in addition to the incorrect statements to which your attention has been specifically called in this letter, are also untrue," and also requests him to indicate with such particularity as he may deem appropriate the character of the evidence upon which such assertion is based."

Thereupon the following recital and resolution was unanimously adopted:

"Whereas it appears in the aforesaid correspondence between the Comptroller of the Currency and this bank, beginning June 9, 1914, and continuing to date, that the Comptroller of the Currency has notified this bank that it had become liable to certain penalties under sections 5211 and 5213 of the Revised Statutes; Therefore be it

"Resolved, That the Comptroller of the Currency is respectfully requested to inform this board with exactness whether he had undertaken to impose any penalties upon this bank under the provisions of said sections 5211 and 5213 of the Revised Statutes, and if so, the dates and causes for which said penalties have been undertaken to be imposed, also whether said penalties or any of them are or are supposed to be continuing."

The board of directors of this bank accordingly respectfully requests you to furnish the information asked for in the above resolutions.

Respectfully, yours,

THE RIGGS NATIONAL BANK,
By HENRY H. FLATHERS, *Cashier*.

I pause, again, gentlemen, to call your attention to the tenor of that letter, to the fair, the manly, the respectful and entirely courteous request made of this public official. And I ask you in your minds how you, as sworn officers of the United States Government, would have answered such a communication; and then I am going to show you how he answered it. Would you have said to a board of directors that asked that, "Your artless inquiry is understood and appreciated"?

Mark you, gentlemen, this correspondence and this fight were being carried on by this man against the only bank two of whose officers had appeared before the Banking and Currency Committee of the Senate in opposition to his confirmation. Is it any wonder, after this exhibition, that the bankers of this country, as Senator Weeks said to this committee in the last Congress, refrained from coming forward and subjecting themselves to this sort of persecution? I am going to show you later that not only would it invite bank suicide, but the comptroller actually by insinuation suggested that some of our officers go and commit suicide.

This is an official communication responding to the things I have read to you from those several letters. I will read the paragraphs that respond to the things I have called your attention to. I do not intend to read it all. This is from Williams's letter to the Riggs National Bank, dated September 24, 1914:

Your artless request that this office inform you specifically of "each and every" violation of the law or the rules and regulations of this office is not misunderstood. You are respectfully referred to the instructions and reprimands you have already received from this office and to the national-bank act, upon which the rules and regulations of this office are based. The language of that act is believed to be sufficiently clear to be within your comprehension, and this office has not been persuaded that the many violations of the law of which you have been guilty were the result of inadvertence or oversight, or that you are at this time ignorant of the many occasions on which you have disregarded or violated this law.

In response to the request to indicate on what he based the statement of untruthfulness this official answers as follows:

In reply to your committee's request that I indicate the character of the evidence upon which is based a statement made in a previous letter that other statements, in addition to those submitted by your president, "are also untrue,"

you are informed that this office is in possession of affidavits made by entirely responsible men who squarely contradict sworn statements made by officers of your bank, and this office may be relied upon to take action in the premises at the proper time.

Is that a decent, manly, American, fair thing for an officer of the Government to say in response to that sort of a request? Is there any possibility of escaping the consequence of that sort of conduct?

I want to read to you his comment on the subcommittee's findings:

Your four-page letter of August 24, with its labored excuses, apparently prepared by counsel, and which I understand to be an effort to defend your refusal to furnish satisfactory replies to questions propounded to you, is an amusing commentary upon the claims of your committee as to your having answered "freely, fully, and frankly" the inquiries of this office

Now, gentlemen, as I told you yesterday, this whole thing ostensibly started when an assistant bank examiner came into the bank and demanded that he be allowed to take a list of the names of the Riggs Bank's depositors, with a statement of their balances wherever the depositors were borrowers of more than \$5,000. At the time that bank examiner came from Mr. Williams's office and made that request there was in force an officially promulgated order of general import from the Comptroller of the Currency, of which Williams's office had full knowledge, the original or a copy of which was in Williams's office, because I am now going to read it to you from a compilation which was published at the Government Printing Office by Williams in connection with the equity suit brought by the bank. There was, I say, at the time this request was made, in force and effect the following general order of the comptroller:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, D. C., December 20, 1909.

To the NATIONAL BANK EXAMINERS:

If it has been your practice to take a list of the names of the depositors in banks under examination, you will discontinue this practice immediately and destroy all data of this character in your possession.

Respectfully,

LAWRENCE O. MURRAY, *Comptroller*.

The banks had been furnished with printed copies of that order, so when an assistant bank examiner came to the Riggs National Bank in June, 1914, and asked to be allowed to violate that order, we naturally said to him he could not do so.

Senator HENDERSON. What is the date of that order?

Mr. HOGAN. December 20, 1909; and in full force and effect until the time this controversy started.

Senators, I pause to say, what would you have done in that situation? You would have notified the comptroller that you understood this order was in effect, would have said to the comptroller that certainly he, as the present comptroller, had a right to supersede or abrogate that order if he wished, and if he did so, we would comply with the new regulation, but so far we were complying with what we had been informed was the official regulation. So we wrote him on June 18, 1914:

With respect to the demand for a statement of average balances of certain borrowers on collateral who were also depositors, I call your attention to the fact that such demand was flatly opposed to the instruction of your office issued to national bank examiners on December 20, 1909, which instruction not

only required such examiners to discontinue the previous practice of taking a list of depositors, but also required them to destroy all data of that character in their possession.

We recognize your right to change the practice established by said order, but venture to suggest that if change be made it should be accomplished by some rule of general application. It was only in view of what we understood to be the existing regulation of your office that the bank examiner's assistant, Mr. Donohue, was refused permission to take away from this bank the list of balances. In so refusing we also had in mind the possible improper uses to which such information might be put. No objection was made at any time to either the bank examiner or his assistant having the freest possible access to the books of the bank.

At a special meeting of the board of directors of this bank, held this morning, I was authorized and instructed to furnish you with the lists or statements asked for. They are now being prepared and will be sent to you as soon as completed, probably within the next 48 hours.

Thereafter we said to him on that subject in a letter which resumed the conditions existing up to July 14:

Then, on June 8 last, following our bank examination of May 18 last, came the assistant to the bank examiner, requesting a list of depositors' balances where loans to them secured by stocks and bonds exceeded \$5,000. His request to be allowed to take away from the bank data relating to depositors' balances was in the first instance denied, although the assistant was freely given permission, at the time of his call, to inspect the books showing depositors' accounts. This denial was in accordance with the positive rule of your office promulgated on December 20, 1909, to all bank examiners, forbidding them thereafter to take away from banks data relating to depositors' balances, and instructing them to destroy any such data in their possession.

In our letter of June 18, 1914, we called your attention to this order, and to the established practice of your office in this respect; not questioning your right either to abrogate the rule or to set aside the practice, we suggested that if you had established a new rule under which examiners were thereafter to take away such data from banks, should be of universal application and not confined to a particular bank.

But I digress again to call your attention to the temperate, decent thing that was done in that respect. Is there any Senator here who as an officer of a bank would have hesitated to call the comptroller's attention to the order, which he himself must have known of if he knew anything about his office? Is there any Senator here who would have hesitated to respectfully suggest that if that order was to be changed, it should not be changed as regards Riggs, but should be changed as regards all other banks? You have heard what we asked. Now, let me show you how he responded to that entirely respectful request. Under date of September 24, 1914, Comptroller Williams, in an official communication to the bank, says:

This office is not interested in the information which you gratuitously proffer as to certain official instructions which you allege were in the past given to bank examiners, nor does it desire to receive from you any suggestions as to the propriety of or need for any instructions which it has given or may give to its examiners.

Do I have to comment on that? Let me call your attention, gentlemen, not only to the discourteous, not to say indecent, way that he responds to courteous official communications, but to the disingenuousness of the man, characterized not only in this correspondence, but characterized when he was before this committee in his statement made, as published in the volume of the hearings at the last session of Congress, and which I will come to in time. Listen to this:

This office is not interested in the information which you gratuitously proffer as to certain official instructions which you allege were in the past given to bank

examiners, nor does it desire to receive from you any suggestions as to the propriety of or need for any instructions which it has given or may give to its examiners.

He knew perfectly well that there was not any allegation on our part merely that they were given to bank examiners. He knew perfectly well that that was a general order promulgated, binding on all bank examiners, which he had never come forward fairly and superseded. I said to the Senators yesterday that this man was an adept in the most vicious and dangerous form of falsification, to wit, half truths. I called attention to the fact that when he wrote a letter saying, "Do not include notes of speculators and others secured by mining and other stocks and bonds, your bank having notes collateraled by 80 per cent of such," that he covered himself by the word "others," creating, as his letter of July 22, 1914, Senator Henderson, created in your mind, a false impression and a false inference.

On June 21, 1916, he issued what he called his decision to recharter this bank. He demanded that that very voluminous document, which is in the record here, be read to the board of directors. Quite late in the afternoon of that date he delivered the document. It was brought from the Treasury Department by Mr. J. J. Darlington, of counsel for the bank. While the board of directors were holding their meeting, at a time when no trial was on, no press dispatches were being carried regarding Riggs Bank affairs, nothing was pending that would attract public notice to the controversy at that time, while the board of directors were holding their meeting and having read to them this letter, ostensibly just written by the comptroller on that date, the comptroller summoned to his office newspaper men and handed out that vicious attack on the bank and on its officers and on its practices, and when late that afternoon the directors and their counsel left the directors' room—we were holding our meeting in the building next to the bank, which is owned by the bank and wherein we were going to open our State bank that very day—the newspaper men were gathered on the steps of the Riggs National Bank to find whether we had any comment to make. Of course, the statement was too long, as he or any other man knew, for a newspaper to publish. The newspapers would naturally take only the salient or the sensational features. This was the thing that he sent to the press. This was the thing that he sought publicity for. This is the thing that, when he was endeavoring to explain to your committee at the last session here, that there was not any need of opening the Riggs Bank case again because that was closed by a court decision, and that he could put in the record all that was necessary on that subject, he put into this record. I am going to show you, Senators, why he called this a decision. There was not any practice of the comptroller's office, as in a court, to issue long written decisions regarding banks. But if he wrote this thing and sent it to the bank as a decision and then, after he did that thing, gave it to the press, he was immune from a libel suit, and he knew it.

Senator FLETCHER. Did the Riggs Bank make any response to the communication, Mr. Hogan?

Mr. HOGAN. To the comptroller?

Senator FLETCHER. Yes.

Mr. HOGAN. I think not, sir. The Riggs Bank, Senator Fletcher, had by that time learned, as it had learned before it ever went into

court, before it was ever forced into court, that when a man has the official power over its very existence that this man had, that when, in order to gratify his personal enmity on the flimsiest sort of charges, another department of the same administration would indict three men and put them through a criminal trial—they had learned as far as possible to stay away from controversies, and, as I said to you yesterday, the Riggs Bank is not here to-day, but I am here in my individual capacity.

Senator FLETCHER. That is my understanding, they are not contending that the decision of Judge McCoy is questioned in any way.

Mr. HOGAN. No. You got my views yesterday, Senator Fletcher, on Judge McCoy's decision.

On page 358 of the hearings before this committee in February last, Mr. Williams inserted a communication that he had sent to a Mr. Charles H. Sabin in New York, President of the Guaranty Trust Co., I understand, in which he says:

It can be readily understood that the value of official statements is in their accuracy and that if the public is left to understand that a statement from this office on an important subject is grossly inaccurate its confidence in future statements will be impaired.

That is his verbal conception of what ought to be accuracy. I read that to you so that in the light of that you will consider the publication he sent to the press, which will be found on page 383 of the same volume:

The direct and indirect loans reported under oath by the bank as made to C. C. Glover, president; W. J. Flather, vice president; M. E. Alles, vice president; and H. H. Flather, cashier, from July, 1896, to July, 1914, were:

And then he sets forth in a table that would immediately attract attention this:

C. C. Glover.....	\$2, 534, 377
W. J. Flather.....	1, 258, 010
M. E. Alles.....	584, 855
H. H. Flather.....	1, 282, 698

Startling figures, Senators, a thing that would have attracted public attention. Do you know how he did it? Do you know how he deliberately did it? Let me give you an illustration. This is simply for the purpose of illustration.

Take Milton E. Ailes, and assume that he has \$75,000 collateral; and let me say here now that no officer of that bank was ever permitted to borrow except on collateral. His note, or his indorsed note, was never taken. He had to deposit collateral, and every one of the loans was passed upon by the executive committee; and at the time these letters were written, or from July, 1914, there was not a dollar of money loaned to any officer of the bank, because, although we knew then and know now that when they are properly secured officers of the bank are not precluded from borrowing from their own banks, where naturally they would keep their own deposits, nevertheless, because of the actions of this man, every officer took loans that he himself was carrying out of that bank and had not the least difficulty getting other banks to take them and be glad of the business. I am going to show you that they borrowed at the other banks, and although he did not criticize other banks' condition, although he never ordered one of those loans taken out or written off, although

Riggs National Bank never lost a penny in interest on any loan ever made to an officer, still I will show you the scurrilous criticism of those loans when they were made in other banks, although he did not criticize the other banks.

We will assume Mr. Ailes had \$75,000 collateral, and he borrowed \$50,000 on his note. I illustrate this by writing, because I think you gentlemen can follow it. At the end of a quarter he makes a \$5,000 curtail in addition to paying interest, and gives a new note for \$45,000. At the end of the next quarter he makes a \$5,000 curtail, and gives a new note for \$40,000. At the end of the next quarter, in order to make this short, let us say he makes a \$10,000 curtail and gives a new note for \$30,000. He has borrowed \$50,000, and he has been making inroads into it. Williams takes those notes, each one of those renewals, and he says Mr. Ailes borrowed \$165,000, and in that way in 18 years he reaches the alarming total of \$2,500,000 borrowed by Mr. Glover, or \$584,000 borrowed by Mr. Ailes.

Senator HENDERSON. These loans to these individuals covered, as I understand it, a period of 18 years?

Mr. HOGAN. Eighteen years.

Senator HENDERSON. Those loans might have been paid in full, and then another loan and another loan?

Mr. HOGAN. Yes.

Senator HENDERSON. So that a man worth \$50,000 might have borrowed a million in 18 years, and always a new loan?

Mr. HOGAN. Exactly, Senator; but they would have been new loans. That might have afforded some excuse for this publication, but he would take one loan, and if it were renewed, although with curtails, he would take each renewal note and add it up and say that the man had borrowed the total.

Senator FLETCHER. Do you justify loans by a bank to its officers, Mr. Hogan, even though they are well secured?

Mr. HOGAN. Yes, Senator. I think that if a bank has a proper executive committee, and if the officer is responsible and he gives proper collateral, he should be allowed to borrow. Take an officer of the Riggs National Bank. Could he carry his deposits in the Riggs National Bank and expect to go to some other bank to make a loan? Or otherwise, what would you get, if you did not have officers openly and squarely borrowing from their own banks, where they kept their own deposits, did their own business? Then you would have "I tickle Nancy and Nancy tickle me." You would have a bank's officers favoring one another. The comptroller's office knows they lend their officers. This examiner's blank has a special place for every bank examined to put in the loans to officers. The comptroller will not say there was a bank in the city of Washington, at the time he was making this attack on the Riggs National Bank, that did not have officers' loans. I say there there should not be a situation where-by A. could pass on A.'s loan, but where the loans are properly collateraled, where a bank is properly managed, where, as in this bank, the most remarkable record in the history of banking, probably, was made, what would you think, Senator Fletcher, when I tell you that in 18 years in this bank, which customarily carried from five to seven million dollars in loans, in this bank, which, at the time of this attack, was doing a business of \$300,000,000 a year, or approximately a million dollars for every day's business—that in 18

years the entire losses of the bank on loans of all kinds was less than \$40,000, an absolutely unparalleled record?

Senator FLETCHER. Of course, as you made it appear yesterday, they made up some of those losses by taking out of their brokerage business.

Mr. HOGAN. No; I am counting all.

Senator FLETCHER. I can see how there might be objection to the banks' officers loaning themselves money. Take where the officers of the bank, apparently as here, were getting loans from the bank from time to time. That is a very dangerous practice, it seems to me.

Mr. HOGAN. Senator Fletcher, there might be objections, there might even be a law passed, and I would not oppose its policy, forbidding any officer of any bank to borrow therefrom. But that is beside the point. That has nothing to do with a public statement issued by a sworn public officer which carried, and was meant to carry, a viciously false charge. Whether the officers borrowed or not, or should have borrowed or not, is one question. Whether or not a public officer would take a \$50,000 loan and roll it up and make a \$200,000 loan out of it, as this man did, is the point I am now calling your attention to, as characterizing—I will not use the comment—as characterizing the turn of the man's mind when he had a personal debt of malice to pay, and he knew it, and I am going to show you, as I showed you yesterday, just as he said "speculators and others." "mining and other stocks," and he knew this, and so in an inconspicuous place here, where it would not attract the eye, having created a false impression, what does he say? Listen to it. He always covers himself up:

Some of the above loans may have been renewals of other loans, and may have been carried through the books several times, and therefore the totals may to some extent be subject to adjustment, although some of the loans ran several years at a time.

The CHAIRMAN. He must have known they were renewals.

Mr. HOGAN. Of course he did, or he would not have said that. But he was going to the public press with the statement. He knew the figures would attract attention. He went to the labor—because he would stay up all night to satisfy personal enmity—he went to the labor of calling attention to the fact that they totaled over \$5,000,000. And then, against that day when he would be called to account for this sort of practice, he put in this inconspicuous thing, "Some of those notes may have been renewals." Did he not know they were renewals? If he had enough intelligence—and he was intelligent—to be a messenger in the office of the comptroller, he would have known they were renewals. If he did not, did he not have a corps of bank examiners that he had kept in the Riggs National Bank for more than a year that he could send over there and get the accurate figures? Were not the books of the bank at his disposal? Did not his men stay at the bank day after day, and a sworn public official, on the eve of sending out a statement of that kind to the public about a bank, he said he was trying to save, says, "Some of them may have been renewals."

Senator FLETCHER. Have you figured that out as to how much were renewals?

Mr. HOGAN. No; I have not figured it out.

Senator HENDERSON. Had any of the bank examiners ever reported against the loans to the individual officers of the bank?

Mr. HOGAN. No, Senator; and I will call your attention to what we asked Williams about that. I read to you the report of 1913 yesterday, which gave precisely every dollar borrowed by every officer, and then you remember the tribute that Bank Examiner Hann paid to the bank. I will call your attention to what he said about it. But do not let me get away from the point I want to make about it, which is this, that if there was nothing more than the giving out of the public statement, in the circumstances I have narrated, at a time when it could not have done anything else than harm the bank, if it was possible for him to harm it, trying to get it into the public press the day the bank was being rechartered, when the suits were over and the litigation at an end; and with the knowledge he had—and if he did not have it, it was accessible to him—that the figures were false, and he knew they were false—I say, if there was nothing else I could bring to this Senate's attention, that in itself would show the conspicuous, the obvious, and the complete unfitness of this man for public office of any kind, because, after all, public office is still a public trust.

Senator FLETCHER. It is set forth in that same statement, it is true, that after the present Comptroller of the Currency discovered this condition of affairs, all loans of officers were taken up or placed with other banks in the summer of 1914.

Mr. HOGAN. Exactly. Whenever he made a statement of that kind he put the conspicuous thing, that would attract public attention, one place, and then he invariably covered it, but his covering up never took the sting away. There was not any antidote there. He tried to give it. You asked me, Senator Henderson, whether or not any of the bank examiners had said these loans should be taken out. Of course, it was the duty of the bank examiner, if he found a loan was wrong, to require us to charge it off or take it out of the bank. He had written us a letter about the loans to our officers, and it is in direct response to your question that I call your attention to that. There was never a time when he asked anything when he was not given the full facts, absolutely, and as completely as exhaustive labor could give it to him.

He had said to us:

It appears that the loans, nearly all secured by speculative stocks and bonds, to C. C. Glover, jr., and W. J. Flather, jr., two clerks in your bank, and to H. H. Flather, your cashier, Joshua Evans, jr., your assistant cashier, and W. J. Flather, your vice president, and wife; M. E. Alles, your president, and Mary E. Alles, his daughter; E. D. Flather, teller, and G. O. Vass, secretary to M. E. Alles, amount, in the aggregate, to more than one-fifth of the entire capital of your bank, or more than \$200,000.

I digress again to call your attention to the fact that you will find that threat throughout everything that he said publicly. He would, for instance, take the capital of the bank and say that the loans of \$200,000 were more than one-fifth of the capital. He knew perfectly well that at the time the aggregate of those loans was \$200,000, the Riggs National Bank had a capital of a million that never had been impaired, behind which it had a surplus of two million, not one penny of which was impaired, behind which it had undivided profits of between \$200,000 and \$250,000, that would

have to be entirely taken out by any losses before we reached the surplus. He knew perfectly well at the time, as I said yesterday, that that bank was paying, without getting anywhere near its surplus, \$260,000 a year, or 26 per cent dividends on its stock. He knew that its solvency was unassailable and unimpeachable, and he was compelled to say so on his oath in court subsequently, and so we responded to him regarding that as follows:

The loans of Charles C. Glover, jr., at this bank aggregate \$2,400, and are secured by 10 shares of Union Pacific Railroad stock; 10 shares Northern Pacific Railroad stock, and 17 shares of Washington Railway & Electric preferred stock, having a total market value of \$4,000. The Union Pacific and Northern Pacific stocks in this loan are standard railroad stocks, listed on the New York Stock Exchange, and the Washington Railway & Electric preferred stock is a standard security on our local exchange, which has for years paid 5 per cent on the par of the stock, is cumulative and preferred as to all dividends, and is further preferred as to assets of the railway company. It has behind it \$6,500,000 of common stock now paying dividends at the rate of 7 per cent per annum.

Loans to William J. Flather, jr., aggregate \$24,880 and are secured by high-class standard stocks and bonds having a market value of \$33,500, as follows:

One hundred shares of Baltimore & Ohio Railroad stock; 5 shares United States Rubber first preferred stock; \$10,000 par value Green Bay Railroad B. bonds; 120 shares Washington Railway & Electric preferred; 10 shares Norfolk & Washington Steamboat stock; 6 shares Mergenthaler Linotype Co. stock; 4 shares United States Steel preferred; and 30 shares of the stock of the Lowry National Bank, of Atlanta, Ga.

The loans of Henry H. Flather, the cashier of this bank, on May 18, 1914, aggregated \$63,500 and were secured by high-class marketable local and out-of-town stocks and bonds having a market value of \$70,000, as follows:

One hundred shares Security Storage stock; 65 shares Southern Railway preferred stock; 12 shares Norfolk & Washington Steamboat Co. stock; 150 shares Washington Railway & Electric preferred stock; 200 shares Inspiration Consolidated Copper stock; \$20,000 Wabash first and extended 4's; 350 shares Intercontinental Rubber stock; 200 shares Missouri Pacific Railroad stock; 50 shares People's Gaslight Co. of Chicago stock; 10 shares American Car & Foundry preferred stock; 100 shares Rock Island Railroad preferred stock; 100 shares Rock Island Railroad common stock; 200 shares St. Louis & San Francisco preferred stock.

The loans of Joshua Evans, jr., assistant cashier of this bank, aggregated \$4,900 and were secured by recognized stock-exchange collateral, having a ready market value of \$6,740, as follows:

One hundred shares American Can stock; 200 shares Missouri Pacific Railroad stock; 2 shares Washington Railway & Electric preferred; 1 share Lanston Monotype Co. stock; and \$500 Virginia Railway first mortgage 5 per cent bonds.

The loans of William J. Flather, vice president of this bank, aggregated \$63,800, secured by readily marketable local and out-of-town stock-exchange collateral having a market value of \$81,800, as follows:

Seventy-six shares American Telegraph & Telephone stock; 130 shares Lanston Monotype Co. stock; 415 shares Green Cananea Copper Co. stock; 118 shares American Security & Trust Co. stock; 185 shares Washington Railway & Electric Co. preferred stock.

The loan to Mrs. W. J. Flather amounts to \$4,506.25 and has back of it marketable and high-grade collateral to the value of \$6,260, as follows:

Fifty shares Baltimore & Ohio Railroad stock; 12 shares United States Steel preferred stock; \$500 Metropolitan Club $4\frac{1}{2}$ per cent bonds.

This loan to Mrs. Flather was made to her on her individual account and on securities which she personally and individually owned.

The loans to Milton E. Alles, vice president of this bank, aggregated \$17,225, secured by standard and approved stocks having a market value of \$32,000, as follows:

Eighteen shares Lanston Monotype Co. stock; 65 shares Washington Railway & Electric Co. preferred stock; 100 shares Union Trust Co. stock; 50 shares National Bank of Washington stock.

The loans to Mary E. Alles, wife (not daughter) of Milton E. Alles, aggregated \$8,400 and were secured by 115 shares Washington Railway & Electric preferred and \$1,000 Potomac Consolidated 5 per cent bonds, having a market value of \$10,500. The loan to Mrs. Alles was made entirely on her individual account and on securities personally and individually owned by her.

Now, Senator Henderson, this is in answer to your question :

Do you know of any reason why this bank should not loan money to the persons whose names you have mentioned, so long as such loans are kept within reasonable limitations and are adequately secured?

That was fair, was it not? And that is still, so far as I know, without answer, except the kind of a false impression answer that he makes in his public statement.

I read that in answer to your question, sir.

Not only that, but I will show you another thing he did, and he kept doing it, even when his attention was called to it, when, if he had looked at his examiner's reports, he would have seen it.

Mr. Glover, who, as most of you Senators know, is a man of wealth, always kept very comfortable balances in the bank. He was a very rare borrower. When he borrowed, he borrowed on securities. No one has ever questioned the absolute safety of the bank. For convenience he kept two accounts, both of them belong to him, but one of them he carried for domestic purposes in his wife's name, so that Mrs. Glover could check directly against the account and pay the household bills. Mrs. Glover's account might not have money against the checks, but the other account was always there. At a time when Mrs. Glover's account, on paper, showed an overdraft of \$6,600, Mr. Glover's account, in his own name—both of the accounts belonging to him—showed a balance of \$26,000.

In 1913, and Examiner Hann's report so showed, there was what might appear to be an overdraft; and although he was told that and it was made perfectly plain to him, yet for the purpose of creating a false impression and for no other purpose the comptroller would write, saying, "It is noted that the account of the wife of the president of your bank is overdrawn \$6,600." And always his attention was called to the fact that the very day he claimed that, there was \$26,000 in the other of the two accounts which Mr. Glover kept at the bank.

Senator KENDRICK. That does not seem to me to be a fair statement. If both accounts, for instance, had been carried in one name, it would be a different thing; but I know of any number of husbands and wives whose accounts are in different names and they have no relation whatever. I think the witness does.

Mr. HOGAN. I do, Senator; but you evidently misunderstood when I told you that both of these accounts were Mr. Glover's accounts—

Senator KENDRICK. Yes; but—

Mr. HOGAN. One moment, please, sir. Everyone in the bank knew that the account that Mrs. Glover checked against was Mr. Glover's account, and the bank examiners knew that it was a mere matter of convenience and that the other account stood against it. If it had been an account such as you refer to, I would not have made the statement. I state the facts.

Senator KENDRICK. Yes; but what official evidence was there that that was true?

Mr. HOGAN. The bank examiners were constantly informed of it and reported it to the comptroller.

Senator KENDRICK. If that held true, why was not the overdraft protected by transfer of funds?

Mr. HOGAN. That could have been very easily done; but as they constantly knew that both balances were there, it was one of these things that nobody bothered about doing.

Senator KENDRICK. Assuming that is true, suppose that account had been drawn up to a very limited amount; say that Mrs. Glover's account had been overdrawn for an amount equal or exceeding the other. Would it still be all right?

Mr. HOGAN. It never occurred, Senator. I can not assume a non-existent thing. I am only telling you the facts; and I am telling you facts which were made known to the comptroller.

Senator KENDRICK. Your statement is all right, and undoubtedly truthful, but the fact remains that it is not regular for one account to offset another in a different name.

Mr. HOGAN. Ordinarily that is true, Senator, but in this case, as the bank examiners knew and as the comptroller knew, and as everybody in the bank knew, these were both Mr. Glover's accounts. They were simply kept for that purpose, and I call your attention to the fact that at the time of the criticism there was more than \$20,000 back of the two accounts. That is all.

Senator KENDRICK. It was a correction that Mr. Glover should have made himself. As an illustration, in my own individual case, my wife's own account in the bank has no more to do with mine than yours.

Mr. HOGAN. That is the difference between yours, Senator, and Mr. Glover's. If your case had been precisely what Mr. Glover's was I would not have called attention to the statement.

Senator KENDRICK. I insist, however, that the explanation does not prove that the office of the comptroller had any right to recognize that fact.

The CHAIRMAN. What is the date of that, Mr. Hogan?

Mr. HOGAN. The time he called attention to it, sir, was in the latter part of 1914. The last time he called attention to it, the time that the bank examiner reported it, was in October, 1914—no; it was in 1915, the last time he called attention to it.

The CHAIRMAN. What use did the comptroller make of that item?

Mr. HOGAN. Used it to make public comment on the fact that the account of the wife of an officer of the Riggs Bank had been overdrawn.

The CHAIRMAN. In what way? Was it published in any way by him?

Mr. HOGAN. Whether he subsequently published it in connection with these various statements made at the time of the equity suit, I do not know.

The CHAIRMAN. It is not a very important matter, anyway, if you do not claim that the comptroller published that item.

Mr. HOGAN. It is not; it is only one drop in the bucket that makes the whole ocean of this thing.

The CHAIRMAN. I assume that the comptroller and the officers of the bank knew that Mr. Glover was good for his grocery bills.

Mr. HOGAN. You would never assume it if you read the comptroller's report and the comptroller's statements.

The CHAIRMAN. Probably he was liable for those accounts that Mr. Glover contracted, whatever they were; but, nevertheless, it might have been a technically improper way to keep accounts.

Senator KENDRICK. Mr. Chairman, would you justify an overdraft on any such ground?

The CHAIRMAN. I do not understand that anybody was attempting to justify an overdraft.

Senator KENDRICK. Would the comptroller be living up to his responsibilities if he did not call attention to that overdraft?

The CHAIRMAN. It is only the use that the comptroller made of that knowledge.

Senator KENDRICK. As I understood the witness, all he did was to call attention to it, to call the attention of the bank to it. Is not that the extent of his offense?

Mr. HOGAN. The report of the examiner which showed that overdraft was made in October, 1913. It was customary, and the regular conduct of the comptroller's office, that where there was anything to be criticized, as shown by a national-bank examiner's report, the comptroller would write a letter to the bank as promptly as reasonably might be possible after the coming in of the report.

The report in this case was made in October, 1913. The comptroller was writing his animadversions upon that overdraft in 1915. So that he was not calling the attention of the bank to something he wanted to be corrected, but was going back, as he went back as far as 20 years, to pick up closed incidents in order to make adverse comment upon it.

The CHAIRMAN. Just how did he call your attention to it in 1915? That is what I want to get at.

Mr. HOGAN. I will give it to you.

The CHAIRMAN. It is not the possible impropriety of the overdraft, but the use made of it by the comptroller under its circumstances.

Mr. HOGAN. I would say to you that a comptroller within a reasonable period, if anything was reported by a national-bank examiner, if he called those things, whatever they were, to the attention of the bank, he was doing an entirely proper thing—

Senator KENDRICK. He could do nothing else and fulfill his responsibility.

Mr. HOGAN. Yes; but when he is going back to 1915 to write about things in 1913, at least he is a little slow, you would say, in the discharge of that responsibility.

Senator FRELINGHUYSEN. Mr. Hogan, did the practice continue?

Mr. HOGAN. No, Senator; that practice did not continue. I can not say, now, because I have no exact knowledge of the bank's ledgers, that Mrs. Glover's account was not overdrawn from time to time, but I will say to you that this was an account by Mr. Glover—both accounts—and he kept this one for convenience—

Senator FRELINGHUYSEN. Yes; I heard that.

Mr. HOGAN. I can not tell you; but if the practice had continued and was in existence in 1915, and the comptroller had then made it a basis of some of his animadversions, as the Senator said, it would not have been a matter of criticism. But the point I am driving home, if I can do so, is that in 1915—

Senator FRELINGHUYSEN. It is quite important for me to know whether that practice continued or not.

Mr. HOGAN. I will find it out for you, Senator.

The CHAIRMAN. I assume that the ladies have money in the bank as long as they have blank checks.

Mr. HOGAN. We have had that occur, Senator.

Senator FRELINGHUYSEN. I do not assume that at all.

Senator FLETCHER. When they overdraw they ask for another book.

Mr. HOGAN. On March 9, 1915, on that subject, he says this:

At the time of this same examination, October, 1913, among the OVERDRAFTS—

Which is put in capitals—

which the bank was carrying was one of Mrs. C. C. Glover, wife of the president of the bank, of \$6,652.03.

That is in 1915. If there were overdrafts in 1915 that were subject to criticism, of course they should have received the criticisms. That is my position on that, Senator. But would you consider it reasonable official expedition if the comptroller in March, 1915, was calling attention for the purpose of correction of what appeared in an examiner's report in October, 1913?

Senator HENDERSON. Was there any overdraft of Mrs. Glover in 1915 when that letter was written?

Mr. HOGAN. Not that I know of. I almost assume to say that there was not, but I will make that sure for you, Senator.

We responded to that as follows:

Among other things you say:

"At the time of this same examination, October, 1913, among the OVERDRAFTS which the bank was carrying was one of Mrs. C. C. Glover, wife of the president of the bank, of \$6,652.03."

The bank examination to which you refer occurred on October 15, 1913, and affairs relating to it were closed by your office more than a year ago. We have reason to believe that you have exact knowledge as to the status of this overdraft, which is sufficient to relieve of any just criticism. The facts were that Mr. Glover then maintained and still maintains two accounts in the Riggs National Bank, one in the name of Mrs. Glover, for household and personal expenses, and the other a business account in his own name. Both accounts belonged to him. On the day when this overdraft in the account standing in the name of Mrs. Glover, amounting to \$6,652.03 was reported, there stood to Mr. Glover's credit in his other account the sum of \$28,412.02, so that treated as practically a single account, there was no overdraft at all.

Senator FLETCHER. Is not that letter of 1915 the first time the comptroller had called attention to the overdraft?

Mr. HOGAN. Of Mrs. Glover?

Senator FLETCHER. Yes.

Mr. HOGAN. I will answer that in a minute, Senator. [After referring to a book.] Yes, sir.

Now, not for the world would I bring into my statement to the Senators here anything of a politically partisan character, but merely that you may see that that situation is not the comptroller's situation, let me call your attention to two—one fairly amusing, both interesting—incidents on that subject.

As you Senators know, banks throughout the country maintain agencies here in the city of Washington. The law requires that

banks maintain someone to represent them at the destruction and maceration of returned currency, and there has always been here national banking agencies. The Riggs National Bank customarily through Mr. Ailes represented the affairs of several hundred, if I am not mistaken. I think I would be safe and conservative in saying as many as 2,000 national banks, at Washington. He transacted business which the National Banking Agency would transact for these correspondent banks throughout the country. I think I reflect upon the administration of no Government office, either now or at any time in the past, when I say that in the great routine of correspondence that goes through a big office like that of the Comptroller or the Secretary, necessarily there frequently occur delays, and sometimes when an entry might be sent to a busy office and that entry might not be responded to with that promptness that in a less busy office or business house would characterize the handling of correspondence. So that frequently when matters of routine needed to be attended to by banks they telegraphed their agents here who, with the minimum of difficulty and a minimum of time could go into the Treasury Department and go directly to the person in charge and receive the information which they were entitled to receive and transmit it to the banks. One bank wrote to the Riggs Bank asking for some information—

Senator FLETCHER. Did the Riggs Bank keep a man there in the office all the while?

Mr. HOGAN. Over in the comptroller's office?

Senator FLETCHER. Yes.

Mr. HOGAN. No, Senator. Have you in mind that lady who was in the office of the comptroller—Miss Taylor?

Senator FLETCHER. I do not know anything about the personnel, but I remember something was said that it had been the practice of the bank to have a representative in the comptroller's office for some years, and that it had been discontinued by Comptroller Williams, I believe.

Mr. HOGAN. Yes, sir. That was another half-truth. I digress here in what I am looking for to tell you the facts about that.

Senator FLETCHER. I did not know but that was the same agent that you had reference to.

Mr. HOGAN. No, Senator. The law requires, absolutely mandatorily requires, that national banks keep a representative or some one to represent them here in the Treasury Department at the destruction of returned mutilated national bank currency. If every bank kept a separate individual here you would have to build another annex on the Treasury Department, of course, because there are about 8,000 national banks. So that the banks, to minimize the expense of compliance with that requirement, get together and one agency will have one employee, which makes it a nonburdensome thing and a satisfactory thing to do. There was in the employ of these banks, represented by the National City Bank in New York, a Miss Taylor. I want to be sure of her name. It is a matter, now, of court record. Her name was Miss Lotta M. Taylor. She was employed by the banks to perform this function.

Just to call your attention to it, because I do not need to say it to the Senators who are familiar with the law, five times each year the

national banks are required to make a report of their condition, and that report is public in its nature, and not only is customarily, but must under the law, be published in newspapers throughout this country. Then all those reports are sent to Washington, and anyone who desires to get the statistical public information which is thus required by law to be made public could, of course, in time get the reports of all the newspapers of those 8,000 banks and have them sent into the bank and take off the results.

The National City Bank of New York, having Miss Taylor employed here in this department, where, by law, she was not only entitled to be employed and to perform her functions but was required to be employed, arranged with Miss Taylor for a nominal compensation, \$540 a year—which I mention to show the unimportance of the character of the work—and with the consent of the Comptroller of the Currency abstracts were sent out of these absolutely public statistics.

By courtesy of the Comptrollers and Deputy Comptrollers of the Currency during the five times of the year that Miss Taylor made those abstracts she was allowed to use a desk in the comptroller's office.

When Mr. Williams came into public office he and Mr. McAdoo, I believe, who both had part in this, discovered that Miss Taylor was there taking off these statistics and immediately there was issued to the public press a statement which brought in the names of the National City Bank, the Riggs National Bank, and Milton E. Ailes to the effect that a woman employed by these banks had been kept in the Treasury Department and had been allowed to get information, and that that condition was no longer tolerated by those then administering the department.

Later on, when the equity suit was filed, Mr. Williams put in his sworn affidavit the statement that when it was discovered that Miss Taylor was doing this work the Secretary of the Treasury expelled her from the department—a poor little woman making a meager living down here. The newspapers throughout the country, prior to that time, had referred to this perfectly astounding thing that the banks had somebody right in the Treasury, and this inconspicuous little clerk was denominated, as a result of the publications given out by Mr. Williams and his chief, Mr. McAdoo, the “Delilah of Wall Street” in the public press.

Mr. Williams, as I say, in his equity suit, swore that this woman had been expelled from the Treasury. He swore to that in May, 1916, and included as part of his return the affidavit of another gentleman who made the same statement. When those statements were made we had no right, under a strict rule of law, to respond to them in the equity suit. This was so unfair and created so false an impression, and he knowingly created it, so that I personally insisted that Miss Taylor deserved her day in court. I thought that was just the ordinary decent thing to allow Miss Taylor to appear and testify, and Mr. Justice McCoy quite evidently agreed, because upon my application he permitted me to file in May, 1916, a year and a half or maybe two years after she was “expelled,” as these gentlemen phrased it, an affidavit made by Miss Taylor, in which affidavit, which is part of the public records, are shown the facts as I have

narrated them and it shows the fact that at that time she was still in the Treasury Department. She was still performing her duties in the Treasury Department.

Senator CALDER. In May, 1916?

Mr. HOGAN. Yes, sir; and, as far as I know, she there to-day. Even Comptroller Williams could not expel her from the Treasury Department if he wanted, because the law of the land gave her the right to be there, and the only thing they had done and out of which they attempted to make capital was to prevent her from making a statistical digest for the National City Bank of New York, who needed these statistics for the guidance of correspondent banks and which must have been exceedingly valuable. This is the only thing they did. They inconvenienced that one bank and deprived this lady of making that little extra compensation, but from that day on, which she so says in her affidavit, although they held that she had been put out of the Treasury Department, she has been there performing her functions, although he heralded the fact that the Secretary of the Treasury had expelled her from the Treasury.

The CHAIRMAN. When you say "heralded," do you mean that that was published?

Mr. HOGAN. Oh, in every paper. It was made out one night and newspaper men were summoned to the office and every paper in the country carried it. You can see the impression it created.

The CHAIRMAN. Does a copy of that publication occur anywhere in the records?

Mr. HOGAN. Yes, sir; in the equity suit record.

The CHAIRMAN. If it will not be too much trouble I wish you would get it.

Mr. HOGAN. I will do that, sir. But, as I say, this statement in the affidavit, which it is easy to turn to here, that Miss Taylor had been expelled from the Treasury Department—

Senator FLETCHER. Was she the agent that you spoke of that looked after the destruction of mutilated bills?

Mr. HOGAN. She was in 1916, when these statements were made; yes, Senator. Whether she is to-day I do not know.

Senator FLETCHER. That is her function there?

Mr. HOGAN. That is her function there. I have her affidavit here.

Senator FLETCHER. Does that make it necessary for her to be there all the time and have a desk there?

Mr. HOGAN. I so understand; but suppose I let her answer.

I read from the affidavit of Miss Lotta M. Taylor, the date of which is the 17th of May, 1915:

I, Lotta M. Taylor, a resident of the city of Washington, D. C., being first duly sworn according to law, on oath say I am employed by the National City Bank of New York City, and have been so employed for more than 10 years last past; my duties are to count and examine the worn and mutilated notes of the national banks throughout the country which are correspondent banks of and represented by the National City Bank of New York, which notes come to the Treasury of the United States for redemption.

I am now, and for more than 10 years past have been, daily discharging my duties in the office of the Comptroller of the Currency of the United States in the city of Washington in the main building of the United States Treasury Department at that city; I am advised that, under the law, my employer is required to have an employee in the capacity in which I serve at the Treasury Department and discharge the duties which devolve upon me; my salary is paid by the National City Bank.

There has been exhibited to me an exhibit filed in this case, known as Exhibit No. 1 to an affidavit made by one James Trimble, which exhibit purports to be a copy of a communication from the said James Trimble, a national-bank examiner, addressed to the Comptroller of the Currency, and dated May 28, 1914, in which the following statement is made:

"Miss Lotta M. Taylor was formerly the National City Bank's clerk in the Treasury Building, whose duty it was to compile statistics of national banks after each report of condition. She is still employed in this city in work for the National City Bank, but not in the Treasury Building."

That statement is false, but let me say for Mr. Trimble that I do not think it is intentionally false. That statement might well have been based upon the statements which the comptroller had previously given to the press.

Now, Miss Taylor continues:

I say, on oath, that the foregoing statement is untrue, and that on May 18, 1914, the date of said exhibit, I was employed by the National City Bank, not only in the city of Washington, but "in the Treasury Building," and was then and am now on duty in the office of the Comptroller of the Currency in said building, and that, long prior to that date, and ever since that date, I have been employed by the National City Bank not only in the city of Washington, but "in the Treasury Building."

When Mr. Williams put that exhibit in the equity suit he knew one of two things—he either knew that Lotta Taylor was still employed in the Treasury Building or that information was so accessible to him that it is hardly possible to characterize a sworn statement to the contrary which an officer of the Government filed in court; and, secondly, if he did not know, his counsel knew that at the preliminary hearing that was then attracting wide public attention, as of right we could not put Miss Taylor's affidavit in. And, Senator, when I endeavored to file this affidavit, which was an ordinary common piece of justice to this little woman, Samuel Untermyer, of New York, representing John Skelton Williams, strenuously objected to its being received, and the court let it be filed.

I am informed and believe that statements have been made and filed in exhibits in this case, from which an inference may be drawn that I was required by my employment to seek and furnish my employer information that it was not proper for it to have, or which was not of a public character and available to anyone seeking it. I say that never in my life have I furnished the National City Bank, or anyone for it, any information obtained at the Treasury Department, except the statistics drawn from abstracts of national-bank reports which had long before I tabulated the same been published in daily newspapers, and I say that I was never asked, directly or indirectly, by the National City Bank, or anyone in their behalf, to tabulate, seek, obtain, or furnish to it, or to anyone for it, any other information or thing whatsoever. The inferences to the contrary which it has been sought to convey in this suit and elsewhere are entirely false.

Specifically referring to the statement contained in the affidavit of Mr. William G. McAdoo, filed in this case, in which it is stated, "Miss Taylor was a clerk in the employ of the National City Bank, who formerly had an office in the Treasury Building, and whose duty it was to compile statistics of national banks after each report of condition * * * and that she was given facilities for making advance reports * * *," I say that this statement is misleading. As heretofore stated, I not only "was," but I still am an employee of the National City Bank, and I not only "formerly" discharged my duties for that bank "in the Treasury Building," but I still do so. I deny that I was given "facilities for making advance reports," but repeat that he said, prior to the action taken by the Secretary of the Treasury on April 23, 1913, and referred to by Mr. McAdoo in his affidavit, I was five times each year, after the publication by national banks, as required by law, of their reports as to condition, permitted the convenience of using a desk

at which I made up a statement of the figures contained in the reports which had been theretofore published. No other convenience was ever permitted to me, and the withdrawing from me the privilege of using that desk and making up that statement simply deprived me of a part of my livelihood and, so far as the National City Bank is concerned, only required that it obtain in some other way information which is obtainable to it and to the public generally.

Again specifically referring to the affidavit of Mr. John S. Williams, filed in this case, and to page 22 of the printed copy thereof, I say that the statement there made, that I was expelled from the Treasury Department, is, as hereinbefore fully shown, utterly untrue.

That is signed by Lotta M. Taylor and sworn to before a notary public.

(Senator Fletcher having left the room.) With that, Senator Fletcher has gone.

That is the story upon which was based an officially issued public statement, first, that the National City Bank was receiving, and the Riggs National Bank had an employee there and received advance information, and upon which was filed an affidavit saying that this little woman, earning her livelihood by tabulating what you, Senator, and you, Senator, and you, Senator, had an absolute right to and was public information which the law required to be published, and upon which she was held up throughout the country—

The CHAIRMAN. Was that affidavit ever controverted?

Mr. HOGAN. No, sir. It never was. And until somebody suggested a few moments ago to Senator Fletcher that he ask me about it, they never even mentioned Lotta Taylor. They left Lotta Taylor severely alone.

I had not intended to refer to that. I am glad I have been asked about it, however, because it was merely another page in the history of what you are now asked to believe was coincidental misrepresentation. You are now asked to believe that this thing had absolutely nothing to do with the facts, that Ailes and Flather were the only two national banking officers who came before the Senate Committee and opposed Williams's confirmation.

When I digressed at the request of Senator Fletcher I said that I wanted to show you the ordinary routine things, that there was nothing hidden about at all, were seized upon as a basis of verbal castigation, and also seized upon in two instances, one affirmative and one negative, to bring a partisan political atmosphere into this correspondence.

In August, 1914, the Security National Bank of Minneapolis, Minn.—you gentlemen will not overlook that date—August 11, 1914. The war had started. The stock exchange was closed. The financial condition of this country was uncertain. Bankers were conserving their resources; they were getting ready to meet situations that might have been perilous in their nature. The Federal reserve act, that bulwark of our finances during the war, and the Aldrich-Vreeland emergency currency act, which put the public on notice that if currency was wanted currency should be had, saved the situation that would otherwise have been financially chaotic and panicky, and at that time national banks throughout this country were seeking to put themselves with all rapidity into the position of being able to meet any conditions which might arise.

Among others, the Security National Bank of Minneapolis, Minn., telegraphed to the Riggs National Bank, a telegram which was far from having anything secretive in it, and Mr. Ailes's secretary, Mr. Vass, immediately took over the telegram and left it in the comptroller's hands. This is the telegram:

We have deposited securities with local currency association and understand all Aldrich-Vreeland notes, already printed for this bank, have been forwarded to Chicago.

Please advise us whether our notes are being printed and when they will be completed.

We desire to secure additional circulation as speedily as possible up to limit on commercial paper, which is \$900,000.

We are telegraphing you thinking can get information quicker than through department.

That telegram was sent over to the comptroller's office. The comptroller, on August 11, 1914, picked that out, and he responded:

In regard to the closing paragraph in the above telegram, you are respectfully requested to inform the bank from which you received the foregoing message that they err in assuming, as they do, that the Riggs National Bank "can get information quicker than through the department"; that the Riggs National Bank enjoys no preference or undue favors from this department; and that you are informed by the Comptroller of the Currency that it is the aim of this office that all official communications and requests shall be promptly cared for in the order of their receipt, having a due and proper regard for those which may for any good reason, appear to be urgent.

And now—

I am quite aware that the notion has been prevalent in the past that the Riggs National Bank "can get information quicker than through the department," and under the conditions previously existing this supposition seems to have found some foundation, but the banks of this country are now being dealt with by this office justly, impartially, and without regard to certain influences which at one time, under another administration, were so freely exercised.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

In the correspondence that I read to you this morning the comptroller referred to a gratuitous suggestion of the bank. I now call your attention to the gratuitous slur upon his predecessors.

You remember, Senator Newberry, Lawrence O. Murray, who for more years perhaps than any other comptroller sat in that office. You knew his high mindedness, his clean American type. The last time I heard of that man who has given so much of his time to public service, he was over there in France, away beyond the military age, helping in every way he could, in welfare work, for the boys of our country. You knew him well. You knew the administration of his office.

That is only one instance of the gratuitous slurring character of the references made by John Skelton Williams to that honorable, decent, and clean predecessor in his office. That was bringing politics into it. Now let me show you where he brought, or tried to bring politics into the situation and got more than he was looking for, and adopted this half-truth method.

The CHAIRMAN. Will you suspend a moment, Mr. Hogan?

Mr. HOGAN. Certainly.

Senator HENDERSON. I have got to go, Senator.

The CHAIRMAN. I know; we will all have to go pretty soon. We will continue until quarter of 12, and then adjourn until half past 2, if there is no objection.

Mr. HOGAN. In the course of this correspondence, as I said yesterday, going from one subject to another, it occurred to the Comptroller of the Currency, Mr. Williams, that he would get information regarding loans made by the Riggs National Bank to officers of the Government, specifically to officers of the Treasury Department. He was exceedingly careful to limit his inquiry at first to officers of the Treasury Department who had done business with the Riggs National Bank the preceding 10 years. You see, by limiting it to 10 years, or from 1904 on, there was little possibility, apparently, in his contemplation, of his getting the name of any officer of the Treasury Department who had served in that department during an administration of Mr. Williams's party; but using language that was a little broad, he covered too much territory, and then I will show you how he covered up the fact that he drew out—

Senator KENDRICK. Mr. Chairman, before the witness proceeds I would like to ask a question.

The CHAIRMAN. Certainly.

Senator KENDRICK. He has indicated by his statement that this statement by the comptroller in regard to a former administration was intended to reflect upon the integrity of that administration. I do not believe that that naturally follows, and I ask the witness, is it not true that there was reason to believe, as the comptroller said in his statement, that there had been opportunities for the Riggs National Bank to secure information more promptly than through other sources? Was not that statement true?

Mr. HOGAN. No; I do not think so. I do not think so. I will say to you, Senator, that you or I here on the ground, if we represented national banks throughout the country and went over to the proper official we would get equal treatment. I assume any national-bank agency was treated equally.

Senator KENDRICK. Had there not been something of a general understanding throughout the country among the banks that that was so?

Mr. HOGAN. I do not know. I can not answer for what the general understanding was, but I should say no. I assume, in the absence of any facts, that the banks in this country understood the entire integrity of the public officials until and unless there was something to reflect upon the public officials. I personally knew a man who was Comptroller of the Currency prior to Mr. Williams's taking the office, and I knew his unimpeachable character. I knew that the discharge of the duties of his office were without regard to politics.

But what I call your attention to, Senator, is this: He did not say simply that there was an understanding that the Riggs Bank could get information more promptly than other banks, but he referred to influences, as I read to you a moment ago, that had worked to that end and which this administration had changed.

Senator KENDRICK. I do not understand that that was any reflection upon any official in the office. I do not think that is a reflection

upon the integrity of such official. That might occur easily without the knowledge of an officer of the Government.

Mr. HOGAN. I have read to you, Senator, his language. The inference to be drawn from that language, of course, by reasonable minds may reasonably differ. I draw the inference which I have already given, and I have given you his language, and if the Senators on this committee can say that that language was not a reflection, a direct reflection, on the predecessors of Mr. Williams in office, then those Senators differ with my inference.

The CHAIRMAN. Is there anything in the record that indicates any attempt on Mr. Williams's part to verify the inference which you draw, that he had used half truths and intended to give to his assumption of office an integrity that did not belong to his predecessors?

Mr. HOGAN. The whole record, Senator—

The CHAIRMAN. Did Mr. Williams put anything in the record to substantiate his insinuation that there had been, prior to his assumption of the office of comptroller, any undue influence?

Mr. HOGAN. None at all—on two occasions you will find them. One I have read to you, and on another occasion on which he said that after Comptroller Murray came into office the Riggs National Bank apparently was allowed to do what it wanted.

Whenever he made one of those vicious charges against anybody and was asked to state facts—I say “whenever.” Let me modify that. Customarily he did what I showed you this morning, and he said, “Your artless inquiry is appreciated.”

The CHAIRMAN. We will not take any more time on that point.

Senator FRELINGHUYSEN. May I frame a question?

The CHAIRMAN. Certainly.

Senator FRELINGHUYSEN. Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank?

Mr. HOGAN. There is not. There is nothing upon which to found the statement that he wrote, and his writing that to this bank was simply one of various things that he did in that way. It did not make any difference, Senator Frelinghuysen, what the subject was. Invariably he turned it that way. All that was intended by that perfectly open telegram was the obvious fact that somebody here on the ground could go right over to the Treasury and could probably get information more quickly than if a communication was sent to the department. It goes to the mail room and the file room and through the various clerks, and comes back. That is all it was based on.

He wrote to the bank on November 24, 1914—

Senator NEWBERRY. Pardon me. This is a new topic, I assume. May I suggest that you bring it up at half-past 2; it is a quarter of 12 now?

The CHAIRMAN. The committee will take a recess until half-past 2 o'clock this afternoon.

(Whereupon, at 11.45 o'clock a. m., the committee took a recess until 2.30 o'clock p. m.)

AFTERNOON SESSION.

The committee reconvened, pursuant to the taking of the recess, at 2:30 o'clock p. m.

STATEMENT OF MR. FRANK J. HOGAN—Resumed.

Mr. HOGAN. Senators, at recess I had read to you the charge of influences in the Treasury having favored the Riggs National Bank, which was contained in the part of the letter brought out by a telegram from a Minneapolis bank which had been transmitted to the comptroller's office. This matter I am now about to bring to your attention is not important except as indicating what I have already said to you, the willingness to bring politics into the administration of his office, and the characteristic of suppressing facts when they did not suit him.

Mr. Williams, among other things, as I said before, shot at in connection with Riggs Bank, suddenly got off on the question not of any loans then in the bank, not of anything that could possibly affect the then condition of the bank, but on the question of whether or not the bank had at any time in the past made any loans to any Secretaries of the Treasury, and, as I said before, he had in mind holding that within a prescribed period quite evidently which would do no hurt to one of our great political parties. So he said to the bank on November 24, 1914, in a letter:

You are now requested to send to this office, within five days, a special report showing all loans which the Riggs National Bank has made, either directly or indirectly, at any time in the past 10 years, to the then Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency, and National Bank Examiners, and members of the families of these respective officials, including all obligations bearing the personal indorsement or other guarantee of any of the aforesaid officials.

I will show you in a little while why I emphasized those last lines.

Let this report also include all loans made by your bank, directly or indirectly, during this period, to men who had been, prior to the making of such loans, Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency, or National Bank Examiners, and all loans made by your bank to men who have, since the making of such loans, become Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency, or National Bank Examiners.

It was in the last paragraph, while still limiting it to those 10 years, that he covered the territory which his subsequent conduct showed that he did not intend to cover, because the first name that appeared on the list was that of John G. Carlisle, the last Democratic Secretary of the Treasury who had honored that office prior to William G. McAdoo. Twice in sending these reports it was shown that Mr. Carlisle had negotiated various loans at the Riggs National Bank, the first in any list here being in 1897, shortly after he had retired from office, and we were told any loans we made within the 10-year period to persons who had been Secretaries we must include.

Not only that, but, as I emphasized to you, he called for the cases in which they were indorsers or guarantors, and we gave them to him. We gave him anything he called for. And in addition to giving him Mr. Carlisle's loans, that ran up to some thousands of dollars, all of which, as any other loan that had been made to any Sec-

retary of the Treasury, had been paid at the time he made this call—in addition to Mr. Carlisle there happened to be this which came within his call. The Secretary of the Navy, in 1911, issued an order to Mr. J. S. Dowell, jr., of the United States Navy, requiring him to proceed promptly to Germany on official business—in fact, I think he was to become the naval attaché of the embassy there. Mr. Dowell was in need of funds to finance the expenses which he had to advance, and he made a note to the Riggs National Bank for \$1,000. At that time—I am sure I am correctly informed—Dr. Cary T. Grayson, now Admiral Grayson, for so many years President Wilson's physician, and Lawrence O. Murray, the then Comptroller of the Treasury, were not only close personal friends but they had together, jointly, a bachelor apartment in this city. So we reported to Comptroller Williams:

The following loan is to be added to our statement of December 9, 1914, as a loan possibly coming within the spirit of the inquiry of the Comptroller of the Currency of November 24, 1914:

Loan of \$1,000 to J. S. Dowell, jr., United States Navy, dated December 30, 1911, payable June 30, 1912, indorsed by Dr. Cary T. Grayson, and repaid in full June 28, 1912.

With reference to this loan former Comptroller of the Currency Lawrence O. Murray wrote to Mr. William J. Flather, under date of December 30, 1911, as follows:

"DEAR MR. FLATHER: Mr. Dowell of the *Mayflower* is going to Germany by order of the Secretary of the Navy. If the note is not paid by him or Dr. Grayson, charge it to my account.

"Yours, truly,

"LAWRENCE O. MURRAY."

When Mr. Williams came to publish the loans of that character which he had called out, he deleted from his publication the loan to John G. Carlisle, and he omitted from his publication the loan guaranteed by Lawrence O. Murray, although it has been called out by him, and you may draw the conclusion as to whether he did not do that because of Dr. Cary T. Grayson's name as an endorser on that loan, and because of the position that Cary T. Grayson then held.

And again, following his characteristic, he saved himself by what? Having called out all loans to all persons who had been Secretary, and not wanting to disclose the fact, as I say, that the last Democratic Secretary of the Treasury prior to Mr. William G. McAdoo entering into that office was the first name on that list, a perfectly honorable place for it to be, he put in the press and he put in the equity suit and he put in this record of the hearings held by this committee last February a list of loans made to Secretaries and former Secretaries, and in order to get away, as I say, from the omission of Carlisle's name he added the words, "Loans to Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency and national bank examiners while in office." And he starts with Leslie M. Shaw.

That thing, if it stood alone, would not be important. Senators can draw their own conclusions with respect to it as a whole.

Mr. Williams has put in the record here a statement the substance of which and the inference drawn from which is that the Riggs National Bank habitually made excess loans. He put that in his affidavit filed in the equity proceedings when the bank sued him. He distributed that to the press in many of his statements, and he recurred

to that in the so-called decision of his rendered on June 21, 1916, when he was rechartering the bank.

Here was the situation, as he knew, as to the excess loan proposition, and all that there was in it. Prior to June, 1906, under the provisions of the National Bank Act then in force, a national bank was prohibited from lending to any one borrower a sum in excess of 10 per cent of its capital. There was no penalty in respect of excess loans, except that directors who approved a loan of over 10 per cent of the capital would naturally be liable to their bank in the event that there was any loss incurred on such a loan.

That law, which was passed in the early days of national banks in this country, which, as I remember, started in the sixties, overlooked entirely the surpluses of national banks. If a national bank had a million dollars capital and \$2,000,000 unimpaired surplus it could not, under that law, lend more than \$100,000 to any one person, no matter what the collateral was, no matter what the standing of the person.

It was well recognized that that was a very stringent provision of law, and the law came to be looked upon as admonitory in its character, rather than as mandatory, and it had become for years largely a dead letter. Nevertheless, the predecessors of Mr. Williams in office customarily called attention of national banks to any criticism in the way of violation of the law or unsafe practices, or anything that was criticised by national bank examiners, and, as I say, so general was this so-called excess loan technical violation, that the comptroller's office had printed blanks upon which to call attention to it. And from 1896 to 1906, the first 10 years of our existence as a national bank, after each national bank examination we received from the Comptroller of the Currency a list of the excess loans, directing our attention specifically to them, which list I do not remember the exact figures of, but 10, 12, and sometimes as many as 15, persons were on it. In each case attention was called to the standing of the person and the character of the collateral.

It may be, and I am ready to concede, that however stringent that provision of the law might have been, however purely admonitory it was regarded as, however a dead letter it might have become, it nevertheless was the law, and banks might well have been subjected to proper criticism and proper directions for violating it. But in 1906 the Congress passed a law—the date of which I think is June 22, 1906—which provided that thereafter national banks could lend up to 10 per cent of their combined capital and surplus, provided that such loan in no case should exceed 30 per cent of its capital, a recognition by the Congress of the unbusinesslike and impracticable condition of the law as it then stood.

Senators, from 1906 to the day of the rechartering of the bank—or, to make the statement fairer, from 1906 to the date when Williams started this crusade in 1914, a period of eight years—the bank never had any loan that could be characterized as an excess loan. There was never alleged to be a violation of the provisions of the act of June 22, 1906. Nothing had occurred prior to June, 1906, that could possibly relate to or affect the condition, the solvency, the business of the Riggs Bank in 1914. And yet over and over again in his correspondence, and in his public statements afterwards, and in the state-

ments he puts in this hearing, he calls attention to that as a violation of the law by the bank, and endeavors, in coupling it up with things which existed in 1914, to bring that forth as a justification of what he was doing in 1914 with respect to things that had ended in 1906. Comment, I respectfully submit, is unnecessary.

The CHAIRMAN. Can you point now to any single communication that he published in which he called attention to that fact?

Mr. HOGAN. Yes, sir; in your hearings here you will find, in a communication of June 21, 1916, to the bank, he gives a chapter to that. He also has put in here everything he filed in the equity suit, and you will find in there that he gives a chapter to it.

Let me tell you something about what he calls real estate loans. I have already described, at greater length than I should have, in view of the patience of the members who have attended these hearings, the practice of Riggs & Co. in making real estate loans, and I have said that the record shows that at no time after its organization did the Riggs National Bank make a real estate loan. But the Riggs National Bank did make loans to individuals upon their personal notes and took from those persons notes which were secured on real estate.

The Comptroller of the Currency from 1896 to 1909 called attention to such loans, and was always advised of the conditions under which they were made. On January 11, 1910, four years before the advent of Williams, by a general order to national bank examiners from the office of the Comptroller of the Currency, signed by Lawrence O. Murray, the comptroller's office admitted that it had been in error with regard to the law, and recognized the doctrine of the United States Supreme Court's decision in the case of the National Bank v. Matthews (98 U. S. R., 621), which held that when the loan was not a direct loan on real estate, the mere fact that a bank took a real estate note, which one of you Senators owned, as collateral security for that note was not within the prohibition of the law. And the bank examiners were told by that order to hereafter omit from their reports of conditions comments on loans of that character; that in any case where there was a direct loan on real estate, or cases of that kind to, of course, report them.

From 1910 down to the time Williams came into the comptroller's office, no Comptroller of the Currency and no national-bank examiner, so far as was brought to our attention, made any adverse comment on loans which were secured by real estate. The comptroller had admitted that his previous comments were in error. Any lawyer knows his previous comments were in error, and yet, Senator McLean, in the same document I have called attention to, issued in 1915 and 1916 by John Skelton Williams, are given the real estate loans, and the reader is led to believe—and, in fact, it is said—that these real estate loans were made in violation of law. If he knew the law, his statement was false. If he did not know the law, he was incompetent for his office.

One of the most misleading of the things that this man persisted in doing was misrepresenting the character of loans which he called "dummy loans" made by the bank. The expression "dummy loans" carries with it a most sinister meaning to the average man and to all right-thinking persons. When there is a desire to con-

ceal, for fraudulent or wrongful purposes, the real borrower of money, and to escape liability, dummies are substituted for the real parties, and such practice would be subject, properly, to condemnation and criticism. I will first state the facts and then show you his comments, because his comments came after he knew the facts of one of the so-called dummy loans, which is a characteristic example.

Mr. Glover, because he was so long recognized as being one of the safest advisers of investments in this community, because he has that unique distinction of being a man who has made loans on real estate which, so far as I now know, never resulted in a penny's loss of principal or interest, has in large part the control of the funds of that splendid institution, the Corcoran Art Gallery, established by W. W. Corcoran, and that magnificent charitable organization, the Louise Home, established also by Mr. Corcoran in honor of his deceased daughter, Miss Louise Corcoran, and other institutions. Also, Mr. Glover is repeatedly asked for advice with respect to the safest sort of investments for a very large clientele of saving people, of widows and women who have a great deal of money, of whom we have several thousand depositors at the Riggs Bank. For that reason it has always been the rule in this community for a large number of persons to apply to Mr. Glover either for loans or for the purchase of notes.

Some years ago there was constructed in this city a splendid office building known as the Navy Annex, or the Navy Office Building, now occupied under lease by the United States Government. The first mortgage on that building, the equity in which made it an exceedingly attractive, safe, splendid investment, amounted to \$86,500. These various institutions, like the Corcoran Art Gallery and the Louise Home, were not in funds at the time to take up this very desirable character of investment, when it came to Mr. Glover's attention that the investment could be taken by him, and thereafter given to his clients or those whose investments he was watching out for.

Therefore, on one day when this matter came up, of course the bank could not and would not make the loan on the real estate, and Mr. Glover decided to take the loan himself. He had at that time, as I recall the figures, in the vaults of the bank belonging to himself, securities—stocks and bonds—having a value of about \$2,000,000. He directed Mr. Nevius, one of the tellers or bookkeepers of the bank, to obtain from his, Glover's, collateral, enough securities to properly collateral a loan of \$86,500, and left with Nevius the making of the details of this transaction. Nevius got \$115,000 worth of Mr. Glover's securities out of the vault where Mr. Glover kept them. He then made a collateral note which he, Nevius, signed. He attached to it and pledged for it Glover's \$115,000 of securities. These are undisputed facts. The \$86,500 borrowed on that note, collateralized to the extent of \$115,000, were used to buy those real estate notes. In the course of a very brief period of time those notes were bought from Mr. Glover. The \$86,500 note which had been signed by Mr. Nevius and collateralized by Mr. Glover's securities was paid, principal and interest, to the bank, and the securities returned to Mr. Glover. Out of that fact we get this from the Comp-

troller of the Currency—out of those facts, gentlemen, after they were all made known to him in detail:

It should be noted that in the opinion of this office no excuse has ever been given for the action of your president in getting \$86,500 of money from the bank without the knowledge of its directors as to the real borrower, on a note signed by the assistant paying teller of the bank—salary, \$2,100—for the use of his—C. C. Glover's—personal real estate deals or transactions. The statement that the real estate notes arising from the deal might be sold to a customer or customers of the bank and thus "accommodate" such customer does not relieve this "dummy" or concealed loan of odium. The practices which appears to have been in vogue in your bank for some years past, for the officers, or junior clerks of the bank to borrow its funds, sometimes in their own name and sometimes in the name of "dummies" and sometimes AS "dummies" for others, on speculative stocks and bonds, is unbusinesslike, sets a very bad example to the bank's other employees, and is, in fact, **THOROUGHLY REPREHENSIBLE AND CAN NOT BE TOO STRONGLY CONDEMNED**; notwithstanding the fact that your president, as late as January 11, 1915, referring to the \$86,500 of money borrowed by him in the name of the paying teller of the bank said, when being examined under oath, "I DID NOT SEE ANY REASON WHY IT SHOULD NOT BE DONE IN THAT WAY;" and again on March 5, 1915, after he had had opportunity of reflecting upon his conduct, made the following statement: "I DID NOT CONSIDER I WAS DOING ANYTHING WRONG," indicating an ethical standard which is not consistent with the recognized conceptions of sound banking.

Now, bear in mind, gentlemen, what this whole community knows about Mr. Glover's standing, his record, and his wealth, and then listen to this, in an official communication from a comptroller:

Such practices are sometimes attended with direful consequences to employees as well as to the bank whose funds are being jeopardized, as the following press dispatch relating to the tragic fate of a receiving teller in a Cleveland (Ohio) bank whose borrowings, \$775, were insignificant as compared with the loans to your officers and employees, pathetically and clearly shows:

"CLEVELAND, March 18.

"Bertram O. Hill, 38, receiving teller at the Cleveland ——— Bank, shot and instantly killed himself to-day.

"Shortly before his suicide Hill received a letter from a Pittsburgh bank reminding him payment was expected Friday of his note for \$775."

The invitation to commit suicide was not accepted.

Senator HENDERSON. In what hearings does that testimony appear?
Mr. HOGAN. That does not appear in a hearing. That is the correspondence I have called attention to already. I think, Senator Henderson, this also appears in the bank's bill in the equity proceedings.

The CHAIRMAN. Mr. Williams wants the date of that letter.

Mr. HOGAN. March 30, 1915. That is the letter in which he imposed the \$5,000 fine, and specifically told us that that was in addition to all the other penalties.

Senator HENDERSON. Have you the hearings there taken last February?

Mr. HOGAN. The hearings before the bank examiners?

Senator HENDERSON. No; before the Banking and Currency Committee.

Mr. HOGAN. They are here; yes, sir; and I am coming to those in due course, Senator.

May I break here for a moment, because I have borrowed these files of newspapers. The chairman of the committee asked me if I would refer in this record to the dates that I told about circulating the report that Miss Lottie Taylor had been barred from the Treasury De-

partment. On the evening of Wednesday, April 23, 1913, the statement was given out at the Treasury Department and the newspapers of Thursday, April 24, 1913, carried the story. It is found in a file of the Washington Post, issue of April 24, 1913, on page 3. The statement given out is as follows:

In a formal statement last night Secretary McAdoo announced that he had prohibited the practice of allowing a representative of the National City Bank of New York to occupy a desk in the office of the Comptroller of the Currency to compile information following calls for statements of condition of national banks. This action, the Secretary said, was the result of an investigation of reports that certain banks maintained private employees in the Treasury Department for the purpose of reporting to them on the business of the department. The representative of the National City Bank is Miss Lottie Taylor, who for nearly 10 years has been employed by Milton E. Alles, local agent of the bank, to make regular visits to the department to compile information. Mr. Alles last night gave out a statement that Miss Taylor had obtained only statistical information, that was accessible to the public generally, and that there had been nothing improper in her work. He said if she used a desk it was simply because she could not write standing up.

The CHAIRMAN. I suggest that it is not necessary for you to read all of that article into the record. I would like to have you identify, as you have, that particular publication, and if you have any other publication I wish you would identify that.

Mr. HOGAN. Yes.

The CHAIRMAN. And then Mr. Williams will be permitted to contradict your statement in any way he sees fit.

Mr. HOGAN. In their summary you will find that this action of expelling Miss Taylor from the Treasury, when she was not expelled, is characterized as the severance thereby of the pipe line from the Treasury to Wall Street, and it resulted, as I say, in an attack on Miss Taylor, in which she was publicly denounced as the Delilah of Wall Street.

I called your attention this morning, Senators, to the fact that after this correspondence had been going on for some little time the directors of the bank took action and addressed Mr. Williams some communications. Consistent with the practice which I will show you later has become a habit with Mr. Williams, the directors then came in for their share of attack.

The national bank act prescribes the qualifications for directors of national banks to be that they shall hold at least 10 shares of stock in a national bank. An oath prescribed by law qualifying the directors states, among other things, that the director has the number of shares required unhypothecated.

On November 23, 1914, Williams wrote the bank calling attention to that oath and saying:

I regret to have to advise you that I have reason to believe that in a number of cases the oaths contained in the aforesaid certificates have been violated and that the declarations in these certificates in certain cases were false.

On December 29, 1914, Mr. Williams again wrote the bank:

In my letter to you of November 23, 1914, I told you that I regretted to have to advise you that I had reason to believe that in a number of cases the certificates or forms of oaths, which had been solemnly sworn to, from year to year for several years past by the directors of your bank in taking their oaths as directors had been violated and that the declarations in these certificates in certain cases were false.

There were somewhere between 15 and 20 men on the directorate. They were called upon to respond to this under oath. They all, as far as I am advised, did despond. One of them, Mr. Frank Henry, the proprietor of Thompson's Drug Store in this city, a man of excellent standing, stated, in his response, that this was the first time he had really looked at that requirement of the oath, and that the Riggs Bank stock that he owned, in connection with other securities he had, was in a local bank as collateral for one of his loans—I believe in the Union Trust Co.—and he stated that he recognized that his failure to have 10 shares of that stock unhypothecated during the time he was director, from 1912, showed carelessness on his part in that regard, and he frankly admitted the fact. No other director failed to reply and no other director at any time did not have the amount of stock required by law unhypothecated. Although John Skelton Williams in those two communications—and he brought those things afterwards into this record, as you will see—declared that he had evidence that in a *number of cases* the directors' oaths were false, and, although in his affidavit in the equity suit he mentioned that the only case he uncovered was the unfortunate case of Mr. Henry, to this day he has neither substantiated, may I say, that slanderous statement regarding the directors, nor has he been manly enough to withdraw it.

We had among the directors one of the most splendid men that ever ornamented the bar of the District of Columbia or of the United States, R. Ross Perry. He not only was a director, but was general counsel of the bank, a man so scrupulous of his personal and professional honor that it was a beautiful thing even to know him. Mr. Perry responded to the comptroller's statement and brought forth this on December 29, 1914:

R. Ross Perry states that upon the dates on which he took the oath of office as director in the years, 1912, 1913, and 1914, he owned in his own right certificate No. 214 for 31 shares of stock not hypothecated or pledged as security for debt.

Please request Mr. Perry to inform this office, under oath, whether since taking his oath of office as director in 1912, he has at any time pledged more than 21 of the 31 shares of stock owned by him, and, if so, for what periods such stock was pledged, assigned, or hypothecated.

There was not the slightest evidence or intimation that Williams had or could have had that Mr. Perry had ever pledged any of his stock or 21 shares of his stock or more than 21 shares of his stock. But Mr. Perry as general counsel for the bank was guiding the officers in this correspondence. That is why he fell under that inquiring slur. Mr. Williams continues:

Director Labrot, in his letter of December 8, says:

"Certificate of stock that I own is No. 801 for 10 shares of Riggs National Bank. To my knowledge no provision of the oath that I made as a director has ever been broken. I regard as false any statements to the contrary."

Williams says:

This does not answer the question to which he was requested to reply. Please ask Director Labrot to inform this office specifically and under oath whether certificate No. 801 for 10 shares of Riggs National Bank stock was owned by him "not hypothecated or in any way pledged as security for any loan or debt" upon the date on which he first took his oath as director of the Riggs National Bank and at all subsequent periods.

And more to the same effect that I will not weary you with, based upon absolutely nothing except that the directors had had the temerity to take the matter up.

Getting away from the directors, Mr. Williams for a time harped on loans to women. We were very proud of our women depositors. We had some 2,800 of them. There is a bank in New York, that perhaps you Senators know, which almost exclusively devotes its business to women, the Fifth Avenue Bank. Washington is fortunate in having a comparatively large number of very wealthy ladies. Any community is fortunate in having a large number of ladies among its membership, and we were told by Mr. Williams:

I find in your list of borrowers of \$5,000 or more the names of some 40 or 50 women to whom the Riggs National Bank appears to be lending approximately \$1,000,000, equal practically to the entire capital of the bank, on bonds and stocks, many of them of a highly speculative or doubtful character. Some of these loans are inadequately margined, and few, or none, of these borrowers carry any deposit balances with the Riggs National Bank.

The CHAIRMAN. Mr. Williams would like the date. You did not give the date and the page of that letter.

Mr. HOGAN. I will give it to him. July 14, 1914. If, as Senator Kendrick so properly suggested this morning, reports to the comptroller would show that any loans were improperly margined or improperly collateralized or unsafe, it was not only the right, but certainly it was the duty of the comptroller to bring that to the attention of the offending bank. That is the way to safeguard a bank. But you notice no reference to any loan here, except the general statement as to all loans to women depositors. We responded:

Among the depositors and customers of the Riggs National Bank are over 2,800 women, as to many of whom their financial standing is of the highest, and the mere fact that they are women ought not to bar them from such accommodations at this bank as we ordinarily extend to men of equal financial responsibility. This is especially true in view of the fact that the law of the District of Columbia recognizes the separate property rights of women, and this of itself gives them a character and standing here of which we have not lost sight. We have been at some pains to draw off from ledgers a list of all loans made to women, and find that there are 149 women borrowers whose loans aggregate \$1,209,760.86, secured by their own individual collateral of a present market value of \$2,062,975. In the aggregate these loans do not appear to be inadequately margined but are excessively margined, and careful analysis of the list shows that with the exception of the Ainslee loan, which we regard as slow instead of doubtful, and two other small loans aggregating about \$12,000, and which are short in collateral about \$400, they are each properly secured and are safe loans beyond question, and not to be classed as speculative loans. They are in fact, taken as a whole and separately, such loans as any bank would be proud to hold.

Never, so far as I am informed—and I would not make the statement if I could even think of any doubt about it—never in the history of the Riggs National Bank has it lost a dollar on loans to women customers, a rather good record.

The Ainslee loan is a loan made to Mrs. Kate Ainslee. Because her name is printed here, I use it. Otherwise I would not. That lady was an employee of some department of the Treasury having no relation to national banks. She was understood to be a woman who had considerable real estate in the West, owned some real estate here, and owned stocks and bonds. At the time that her loan was criticized it amounted—I have it here as of 1906—to \$30,447.98. Since that time she has curtailed that loan by various large pay-

ments, making her payments \$16,647.98, so that it now amounts to \$13,800, and is collateralized by collateral of the present market value of \$19,400. Unless a national bank is not to be allowed to lend money to its lady customers, a thing which has only been suggested but never has been decided, it seemed that there was no justification for that characterization, and yet you will find when you get to that record that he kept on harping on that, brought it up as a thing for which to criticize the conduct of this national bank.

With regard to whether our loans were made on safe and ample collateral security, he called attention to two loans, one of them to Musher, about which he made a statement not in accordance with the facts to this committee in the February hearing; and one to Mrs. Ainslee I have already told you about, and we said to him with regard to the character of our loans on July 14, 1914:

If you mean to select these two as justification for your assertion that you do not find the \$5,000,000—to be exact, you give \$5,100,000—"loaned upon safe and ample security," we have to say that you have called into question approximately but one one-hundredth part of said \$5,000,000 collaterally secured loans.

Think of it, letter after letter, comment after comment, criticism after criticism, denunciation upon denunciation, by a man who, while he is fine-tooth-combing the affairs of this bank, can find one-one-hundredth of our loans collaterally secured to criticize.

It is a matter of no little satisfaction to us that after careful examination you can only assert so small a part of our more than \$5,000,000 collaterally secured loans is subject to the criticism that they are not "loaned upon safe and ample security."

I am not going to take up your time further, gentlemen, with the subject of loans to officers, except to repeat what I have already said, that never in the history of the bank was any loan permitted to officers except on proper collateral security, and that these officers had no difficulty in raising these very loans in other financial institutions in this community, subject to no criticism from the comptroller, so far as I am informed. I could go into this thing, but it is reams of paper, so I pass it.

Yesterday Senator Henderson, when I said that Mr. Williams had been consulted with regard to the withholding of tax funds from the Riggs National Bank, and had written a letter to the Secretary of the Treasury on that subject, and that in his letter to the Secretary of the Treasury he had pointed out that we had so much money and were so well conditioned with respect to money that it could not possibly hurt our bank (that among other things) or the local condition, asked me if I would put that communication in the record, and I told him I would endeavor to find it. You will recall that you asked me, Senator, when that was written, and I told you between the date of Mr. Glover's letter to the Secretary of the Treasury asking him why the discrimination, and the receipt of his reply. I have since located that communication, and without stopping to read it, I will ask the reporter to put it in the report. It will be found on page 33 of William G. McAdoo's affidavit in the Riggs Bank equity suit. It is from the Comptroller of the Currency to Secretary McAdoo, and it is dated Washington, May 14, 1914.

(The letter referred to is copied in the record in full, as follows:)

COMPTROLLER OF THE CURRENCY,
Washington, May 14, 1914.

DEAR MR. SECRETARY: Referring to President Glover's letter of the 6th instant to you, in which he complains of your omission to arrange to deposit with the Riggs National Bank any portion of the District tax funds and in which he charges "gross discrimination," etc., against his bank, I take the liberty of calling your attention to the condition of the Riggs National Bank, as shown by its latest sworn report to this department dated March 4, 1914.

From an analysis of this report it would not appear that the omission to re-deposit with the Riggs National Bank the tax funds would occasion the slightest stringency or inconvenience in the local money market.

Their statement shows that of the total loans reported of \$7,859,586, the amount which this bank was lending on demand on stocks, bonds, and other securities, was \$5,171,392. In addition to this they were lending on time on stocks, bonds, and other securities (nearly all due in 90 days or less) \$703,434.

In other words, nearly 80 per cent of all their loans were on *stocks and bonds*, not on commercial paper, indicating that the Riggs National Bank is really very far from what we would call a "commercial bank."

Furthermore, I desire to call your attention to the fact that from their sworn statement submitted on March 18, 1914, showing the locality of the loans made by the bank in their January 13, 1914, statement, this bank was lending on outside paper; that is to say, to noncustomers of their bank, etc., on bought paper, stock-exchange collateral, etc., \$3,526,000, and of this amount \$2,165,000 was being loaned out in New York. At the same time that the bank was making these large loans in New York, in January last, it had about three-quarters of a million dollars of cash in different New York national banks, about two-thirds of which was with the National City Bank. The March 4 statement shows that its cash in New York City had increased up to that date to about \$1,000,000, more than \$700,000 of which was with the National City Bank.

In addition to the cash in New York, the Riggs National Bank reported cash on hand in its own vaults on March 4 amounting to \$1,067,000.

As it therefore appears that the bank at a recent date has outside paper, apparently **PRINCIPALLY SECURED BY STOCKS AND BONDS, and PAYABLE ON DEMAND**, and cash on hand and in its own vaults amounting in the aggregate to between \$5,000,000 and \$6,000,000, an omission to deposit District tax funds with it at this time need have no effect whatever upon the local money market, unless the bank should deliberately try to create a stringency here.

Sincerely, yours,

JOHN SKELTON WILLIAMS.

Hon. W. G. McAdoo,
Secretary of the Treasury.

P. S.—The sworn figures of this bank show that it is doing little or nothing in the way of making loans or advances to outside banks. Its total loans, direct and indirect, to other banks, both State and National on January 13, 1914, were reported at only \$32,624. On the same day the loans made by the Commercial National Bank here to other banks amounted to \$267,700.

The Riggs National Bank, on the same date, claims, however, to have been lending some \$225,000 in **FOREIGN COUNTRIES**, the largest amount being \$106,500 in France.

Under the conditions as shown above, the suggestion that failure to re-deposit tax funds with the Riggs National Bank would have a disturbing effect on the local community, or that it would really embarrass the Riggs Bank itself, is, of course, insincere and ridiculous.

J. S. W.

Mr. HOGAN. As I said to you, Senator Henderson, yesterday, Mr. Williams does not make these deposits, but public money deposits have not been made, so far as I know, since his incumbency in the office, without the depositories being submitted to him. He would take a list of banks of this city and strike Riggs or the Federal or some other bank off, or maybe all but one bank off, then it goes

back to the public money division of the Treasury, and then the Secretary of the Treasury theoretically makes that deposit in the depository which he approves; and then he comes before your committee and says he has nothing to do with who gets Government deposits. It is an evasion, that is all.

Senator HENDERSON. Have you read yet, or introduced into the record, the letter from the Comptroller of the Currency, Mr. Williams, calling for the data upon which the \$5,000 fine or penalty was based?

Mr. HOGAN. Yes, sir; the January 22, 1905, letter.

Senator HENDERSON. That has gone into the record?

Mr. HOGAN. I put it in yesterday.

Senator WALSH. Has he, to your knowledge, struck off any of these banks from receiving Government deposits?

Mr. HOGAN. Oh, yes, sir; in the very beginning of this thing. You will remember that I called attention yesterday to what Mr. Glover said in his letter about the purpose, to prevent a financial stringency here, and here in May, 1914, before this thing had developed into the controversy I have been describing, Mr. Williams puts a postscript in his letter to the Treasurer which I am going to have copied in the record, and at the end of the postscript he says:

Under the conditions shown above, the suggestion that failure to redeposit tax funds with the Riggs National Bank would have a disturbing effect on the local community or that it would really embarrass the Riggs Bank itself is, of course, insincere and ridiculous.

J. S. W.

That was right at the very beginning. The president of a bank writes the Secretary and points out why these moneys were deposited, and asks why one of 11 national banks is arbitrarily stricken from the list. We got back a letter, which, in effect, said it would not be safe to put public moneys in the Riggs National Bank, which letter was written after Williams had reported that we were in such good condition with regard to funds that we did not need them.

Not only that, but in looking up this, I found that on June 9, 1914, the day that the battle began, he wrote to the Secretary, and you have heard me read these copious extracts from his letters from June, 1914, to March, 1915, in which he harped on the dangerous condition of that bank, and yet he had written to Secretary McAdoo on June 9, 1914, a long letter about the Riggs Bank, in which he said what I will read. You remember we tried to get from him some statement as to whether the national bank examiner who had examined our bank in May, 1914, and been with it a number of days, had reported anything adverse, and if so, to let us know and we would correct it. He wrote to Mr. McAdoo this:

The report of the national bank examiner made in May, 1914, shows a great improvement in the matter of the irregular practices previously complained of. Its funds, however, were still being loaned on bond and stock collateral, rather than on commercial paper, and the bank had more than its reserve on hand. There was also an improvement in the matter of overdrafts.

Senator HENDERSON. Right here, if you have time, I would like to have you refer to the letter that the comptroller wrote calling for this data on which the \$5,000 penalty was imposed.

Mr. HOGAN. I will be very glad to do that.

(The letter follows:)

JANUARY 22, 1915.

The Riggs National Bank,

Washington, D. C.

SIRS: In view of the conditions in your bank brought to light by the national bank examiners, this office, in order that it may be more fully informed as to the extent to which the funds of your bank have been used by its officers for their personal and private benefit through indirect, or "dummy" or concealed loans, as well as through direct borrowings, requests that you prepare and deliver to this office within 10 days, under penalties provided in sections 5211 and 5213, Revised Statutes of the United States, a statement, or report, showing:

First. All direct loans made by the Riggs National Bank since its organization—

May I call your attention—although I think I did yesterday—to the fact that the law permitted the comptroller to call for special reports whenever it was necessary to give a full and complete report of the condition of the bank, the purpose of the law being perfectly obvious.

Senator HENDERSON. I remember your speaking of that.

Mr. HOGAN. Not what the condition of a bank was in 1896, but what the condition of the bank is now.

First. All direct loans made by Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

Second. All indirect or "dummy" or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole, or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them, in each case.

Let your reply be under oath and over the signature of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, jr.

Respectfully,

JOHN SKELTON WILLIAMS,

Comptroller of the Currency.

That is the letter, Senator. I digress to say that you will find in his attempts to show that his fines were not imposed merely as a result of the technical failure to call for reports properly verified, that he said merely because he used the word "and" instead of "or," to be "signed by both the president and your cashier and three directors," that that law had not been technically complied with, and therefore the fines could not be held. You will find in this correspondence throughout, it was not any technical oversight at all. Just as in this letter he says:

Let your reply be under oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, jr.

And frequently, if one officer was out of town, he would say to have the other three sign, and when that officer came back, made him

swear to it. So much so that he said to one of our officers one time that he would not take the oath of any one officer, that he meant to have them all; as though by an accumulation of signatures and oaths you could get any difference in facts.

Senator HENDERSON. Is that book you just held in your hand a hearing before the Banking and Currency Committee last February?

Mr. HOGAN. It is.

Senator HENDERSON. On page 598 of that book I call your attention to Exhibit G.

Mr. HOGAN. Yes, sir. I know that exhibit.

Senator HENDERSON. You have just referred to a loan of \$86,500, and explained the loan. Is that the same loan that is referred to in the footnote numbered 1?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. I just want to connect that with your explanation.

Mr. HOGAN. You are perfectly correct.

Senator HENDERSON. Is that the report from the bank, or part of the report, called for in the letter of the Comptroller that you have just read?

Mr. HOGAN. No; that is not part of the report. That is a tabulation made in the comptroller's office of the facts which the comptroller had on national bank examiners' report.

Senator HENDERSON. What I was getting at was this, you just read a letter from the comptroller calling for certain data on which a penalty of \$5,000 was imposed.

Mr. HOGAN. Yes.

Senator HENDERSON. And in that letter he refers to dummies and he wants a report on any dummy notes that are carried in the bank.

Mr. HOGAN. Exactly.

Senator HENDERSON. That letter, as I understand it, was written in January, 1915?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. Then, he had this information in his possession?

Mr. HOGAN. Right. That is it. I thank you for the question. I told you that the national bank examiners' reports, the form issued by the comptroller for years and years, required that there be specifically reported all loans to officers of banks. In other words, he was deviling the very life out of the officers of that bank and requiring that we go into our vaults and dig out our records for 20 years with respect to these loans, when he had the data. He made this table in spite of the fact that we did not respond to the January 22 letter. He had the thing he asked for, as to all direct loans, or loans made in the name of officers, which was part of the official files of his office from the national bank examiners' reports. As to those things which he criticized falsely in criticizing as dummy loans, he had, prior to January 22, 1915, the repeated sworn statements, first, as to what the loans were; second, as to how they were made; third, as to whose names they were made in; fourth, as to what the collateral behind them was and who owned the collateral; and lastly, the fact that every last one of them had principal and interest been fully paid. He had all that. It did not make any difference. Senator

Henderson, what he had. You would give him something to-day, and he would come back for it next week. He knew that the personnel of the bank was physically exhausted; that it was difficult for us to do our business. Let me tell you right here at this time how he carried on his bank examination in violation of his sworn duty to the law of the land. What he did with respect to the saving of the depositors of banks in this city in order to wreak his personal animus toward the Riggs National Bank people for the reasons I gave in this record yesterday.

The law requires that there shall be at least two national bank examinations of every national bank a year. In the entire year 1915, except the Riggs National Bank, no national bank in the District of Columbia received the examinations that the law required. The primary thing for the safety of depositors and stockholders was ignored. The reports made by the banks themselves is the secondary thing by which the bank's condition may be ascertained. It is the examiners with their assistants, unannounced, the date of their coming not known, walking into the bank and sealing up things, and examining. That is the big safeguard of depositors. Why were the national banks of the District of Columbia, 10 of them, outside of Riggs, not given the required examinations in 1915? And I think I could almost say that, too, of 1914, to a large extent. I will show you the dates in a little while. Because the national-bank examiner and his assistants were placed in the Riggs National Bank, kept there day in and day out, kept there digging into the archives of the bank to find out something with respect to the officers' personal conduct 20 years before the time they were making the examination. That is the reason why.

Senator HENDERSON. What I wanted to know is: In the reports made by the bank to the Comptroller of the Currency were these facts relative to dummies, as referred to here, given?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. I understand, then, from your testimony, that this Nevius case was reported by the bank, as you practically explained it?

Mr. HOGAN. Yes, sir; and that when he wrote his letter of January 22, 1915, asking for those facts, he had this thing, because this is an exhibit which emanated from him, and he had it, as shown in his correspondence.

Senator HENDERSON. Then it is your contention that the bank reports were true and correct?

Mr. HOGAN. Oh, there is not any doubt about it, Senator, except such mistakes as Mr. Glover said might be made, when you are writing five hundred and odd pages of printed matter, when you are getting 14 and 15 page letters, and you are going back 20 years, over hundreds of thousands of entries. We are all human, Senator, every one of use, except Mr. Williams, and we did make mistakes, there is not any doubt about that, and whenever we made a mistake and it was called to our attention, we acknowledged it. Whenever we found it out before it was called to our attention, we voluntarily acknowledged it, and whenever we either that one way or the other let him know a mistake was made, usually a mistake of some past fact, and called his attention to what the true facts were, we invariably got

back a communication which called our attention to the fact that we were falsifiers.

Senator WALSH. I do not see the seriousness of the comptroller sending a letter to bank officials asking confirmation of some facts that the examiners found.

Mr. HOGAN. Neither do I, Senator.

Senator WALSH. You, of course, argue that it was malicious—I mean that he was hounding this bank, that he was following it up, that his attitude was not fair. But suppose a bank examiner reports to a comptroller that loans had been made to bank officials in large numbers, or small numbers; what is the objection of the comptroller writing a letter to the bank and saying, “Let us have the loans your bank has made, day and dates, the amount and the collaterals, and let me have that information forthwith”? What is the objection to that?

Mr. HOGAN. None at all. You have not been here to see that this is the culmination of repeated requests, covering a volume of letters, reams upon reams of paper, I hope you will have the opportunity to read this. This is the only the culmination.

Senator WALSH. You only cite it to show persecution?

Mr. HOGAN. A constant persecution, a never-ending persecution.

The CHAIRMAN. Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

The CHAIRMAN. You do not mean to say that they did not make reports that were satisfactory to the comptroller?

Mr. HOGAN. No. But I said a moment ago, Senator McLean, and permit to repeat, there are two ways of safeguarding the depositors, who are the primary persons to be safeguarded, with the stockholders of the bank. The primary way is by examination made by expert bank examiners, who come unannounced. The secondary way is the report the bank itself makes. The bank examination, the thing which is the primary safeguard of the depositors of a bank, was neglected, and neglected only because Riggs was taking up their time.

The CHAIRMAN. Either way conforms to the law?

Mr. HOGAN. No, sir; both ways, not either. The law requires both.

The CHAIRMAN. Do you mean to say that the law requires that the comptroller shall make this actual physical examination twice a year?

Mr. HOGAN. Two of them. That the bank examiners shall make them.

The CHAIRMAN. And that that was not done?

Mr. HOGAN. Yes, sir. There shall be five general reports of condition, under the provisions of section 5211 of the Revised Statutes. The banks shall make five general reports of conditions showing their assets and liabilities and such other information reflecting upon their condition as the comptroller indicates by the blanks he sends out, which reports shall be rendered five days after a date specified by the comptroller.

In addition to that, the law requires—and this is the primary thing for safeguarding banks—that there shall be two examinations by national bank examiners, who are employees of the comptroller's office, each year. The system is a splendid one.

The CHAIRMAN. I think I understand it. It would take too much time to go into that. What I want to get at is the comptroller's

treatment of the national banks in the city as required by the law. Did he relieve the other national banks from any examinations that were required by law?

Mr. HOGAN. Yes.

Senator HENDERSON. Do you know why?

Mr. HOGAN. Yes; because he was using all of his energies and all of his time and all of the forces of his examiners on Riggs.

The CHAIRMAN. How many national banks are there in Washington, outside of Riggs; do you know?

Mr. HOGAN. At that time, 11, my recollection is.

The CHAIRMAN. Do you mean to say that the semiannual physical examinations as required by the statute were not made by the comptroller on any of those banks?

Mr. HOGAN. Yes, sir. With respect to the examination of May, 1914, prior in date to the starting of this crusade, Comptroller Williams had referred, shortly prior to July 14, 1914, to the bank examiners, and we wrote him on July 14, 1914:

The bank examiner spent a week with us in May, and his examination was exhaustive. When he had concluded he gave us the strong impression that he was thoroughly satisfied with the bank's condition. Has he reported the contrary to you? If so, why do you not bring to our attention such things as may have met with his disapproval? Such would have been the usual course, but, instead, the examiner, presumably by your direction, returned to inquire the relationships between certain of our officers and whether or not two of our bookkeepers are brothers, the relevancy of which to bank examiner would seem, to say the least, to be remote.

We said there, you note:

The bank examiner spent a week with us in May, and his examination was exhaustive. When he had concluded he gave us the strong impression that he was thoroughly satisfied with the bank's condition. Has he reported the contrary to you?

No answer.

I have already said all that is necessary about the Ainslee loan, and I would not mention this other loan were it not for the fact that Mr. Williams mentioned it to this committee. On page 397 of the February hearings of this committee, this occurs:

Senator WEEKS. How much money did the Riggs Bank lose in that way?

Mr. WILLIAMS. Senator, the records—if you wish to go into the records of that suit in all its details, I shall be very glad to turn them over to you, but I have about 8,000 banks that come under the supervision of this office, and I can not tell you at this time the individual losses of the various deals with that bank. I recall one case, though, of a man who had a speculative account with the bank and borrowed \$30,000 on some railroad stock which they were carrying for him, their authority to buy, which he disputed at the time and on account of which transaction they charged off in that particular item, I think, about \$25,000, wasn't it, Mr. Trimble?

Mr. TRIMBLE. I don't recall the exact amount, but it was something like that.

Senator McLEAN. When was that?

Mr. WILLIAMS. Immediately before this case came up.

Senator WEEKS. Was that because they could not collect from the individual for whom they had supposed they had authority to buy them?

Mr. WILLIAMS. They were carrying the stocks, and I think he denied that he had given them authority to permit the purchase. That is one particular case, and there were a number of other losses.

That is the Musher case, earmarked so that there can be no doubt about it. Mr. Nathan Musher had been doing business with the Riggs Bank, and he or his company—he was president of the Pom-

peian Olive Oil Co.—had had large loans with the bank, and they had been always satisfactorily handled. He had always paid his interest and paid his loans. On some occasions when at the bank, he had had the officers make investments for him, and he had always taken them up when they were reported.

He came into the bank one day, as Mr. Williams was fully informed, and requested, I do not know whether Mr. William J. Flather or Mr. Glover, to purchase some Rock Island stock for him, and when the stock was delivered to whichever gentleman attended to it for him, he did not come around for a day or two, and Rock Island stock started its toboggan slide on the market, and when Mr. Musher did come around, the stock was a very valueless stock. He gave a note, however, for the amount, saying he was not in funds. He collateraled that note with that stock and with some notes of the Continental Distributing Co., which were in turn indorsed, I think, by the Pompeian Olive Oil Co.

The Continental Distributing Co.'s notes were not such as a bank would ordinarily take on a new loan, but having had this situation confronting them, they took them as additional security. He had paid off quite a number of thousands of dollars before Mr. Williams, in a way he might explain, became interested in the case, and then Mr. Williams wrote—if need be I will refer to the page—a letter in which he pathetically and almost tearfully painted the condition of Nathan Musher, and referred to him as “your unfortunate client.” I do not know whether he used the word “victim” or not, but he painted him as an unsophisticated individual, apparently, who had been brought into the bank and who had been so unfortunate as to invest his money and lose his money, and he endeavored in his letter to intimate that the bank's officers had in some way solicited Mr. Nathan Musher, the president of a large business company and one of the canniest, cagiest business men this community ever knew, to purchase Rock Island stock. And then he comes here, as late as 1919, and he tells you—unquestionably he was mistaken in his facts. I do not mean to say he falsified. I will not say of him what he said of Mr. Glover when he makes a mistake—but he says that we lost some \$30,000 on that transaction. The facts are we did not lose one cent, principal or interest. Mr. Musher, apparently, like other men, was tight for money for a while, and although I am informed that Mr. Musher was frequently a visitor to Mr. Williams's office during the days Mr. Williams was hounding the Riggs Bank, when the hounding ended, Mr. Musher came around and paid every dollar, principal and interest.

The Ainslee loan I have already shown you the condition of. There is only one other loan I now care to pay any attention to, because he paid attention to it, and that is the so-called James D. Richardson loan.

James D. Richardson was Sovereign Grand Commander of the Supreme Council of the Ancient and Accepted Scottish Rite Masons. He was the successor of Gen. Albert Pike. The great, splendid building of the Scottish Rite Masons on Sixteenth Street is an enduring monument to the man's public work. He was the eminent editor of “The Papers and Messages of the Presidents of the United States.” He was for many years a member of the House of Representatives. Many years back Mr. Richardson was a very large owner

of Capital Traction stock in this city, always a high-grade stock. He owned over 1,300 shares, and he had made a large loan, a hundred and odd thousand dollars, which was amply and properly collaterally secured at the time he made the loan. The loan had become a very slow one. It had remained in the bank for years, Mr. Richardson always paying his interest. But in his later life he apparently was tight financially, and the stock had been transferred to the names of some of the employees of the bank, so that the dividends could be sent directly to the bank and applied on account of the payment of interest.

Mr. Richardson died in July, 1914, and subsequently the collateral was sold, and that loan, which had been up as high as \$160,000, resulted ultimately in a loss of about \$28,000, which loss of \$28,000 added to the total of the losses incurred by the bank at the time Mr. Williams was writing these letters which I called your attention to this morning, amounted to \$40,000, the total losses in 18 years of business by a bank that had loaned millions and millions of dollars—an unprecedented record of perfect solvency and of conservative management. That is the end of the Richardson loan. Richardson was a man we were very proud to have as one of our customers. Like other men, he was not as prosperous in his later years as he was in his earlier years. He had been—and I did not think that should be held against him, although it is parenthetically referred to in the statement of the comptroller—at one time a Member of Congress.

I told you yesterday about the fact that when this correspondence got so voluminous we printed it for our own use, could not carry it around any longer, but put it in volumes like this, and we were called upon for a copy of it. The examiner wanted a copy of it. Then we received a communication about this matter of printing your own correspondence for your own use, which became a part and parcel of this correspondence.

I want to say, while I am looking for this, that during the entire existence of the Riggs National Bank none of its records was ever destroyed. No one had ever intimated that any of its records had been or would be destroyed. There was never any reason for destroying its records. We got this letter of January 16, 1915, from the comptroller:

You are requested to furnish to this office at once complete copies of the printed correspondence, letters, and statements which the bank examiner yesterday requested you to furnish him.

You are also requested to inform this office—

First. How many copies of this correspondence and statements were printed.

Second. To whom the printed copies of these volumes were delivered.

Third. How many, if any, of said copies have been destroyed.

Let your reply be under oath, over the signature of your president, your two vice presidents, and your cashier.

And then he followed that by this gratuitous thing:

You are requested to advise this office at once whether or not you have since May 1, 1914, destroyed, mutilated or disposed of any of the (1) books of record or account or any portions thereof, or (2) any correspondence, or (3) reports, or (4) statements, or (5) vouchers, or (6) documents relating to the Riggs National Bank, its business and affairs; and if you have destroyed, mutilated, or disposed of any of the aforesaid books, papers, correspondence, statements, vouchers, or documents, you are requested to furnish this office at once a detailed statement of the same, and the dates upon which they were disposed of, mutilated, or destroyed, and how and where.

You are hereby instructed not to destroy, mutilate, or dispose of in any way, until further notice in writing from this office, any (1) books of record or accounts, or any portions thereof, or (2) any correspondence, or (3) reports, or (4) statements, or (5) vouchers, or (6) documents relating to the business or affairs of the Riggs National Bank.

Let your reply be under oath, over the signatures of your president, your two vice presidents, your cashier, your assistant cashier, and over the signature of such other officer of employee or employees, if any there be, who may have had special charge or direction of the destruction or disposition of unused or old or other books, correspondence, reports, statements, or documents of your bank.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

Out of the clear sky, born of that thought, to write into the record something that some one some time seeing, would use as a basis of an unfavorable inference against this man, without a single fact that had occurred or a threat that had been made, came that letter. And then that was followed by another letter of March 9, 1915, in which the capitals and the italics abound.

I am coming to a conclusion of this correspondence, and I know you are glad to hear it. Then, gentlemen, patience was ceasing to be a virtue. We were then on the four hundred and fifty-first page, without the tabulated statements of this correspondence, and we wrote him:

MARCH 9, 1915.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of February 26 was duly received, but we have deferred our answer, because one of the officers whose signature it required was then out of the city.

During the past nine months you have written more than 40 letters to this bank, and in almost every one of them you have insulted its officers with some direct imputation against their veracity, or with some insinuation against their integrity. Many of your questions were such as, under the law, you had no right to ask, and such, therefore, as we could have properly refused to answer; but we answered them in the expectation that when you were fully advised about the affairs of this bank and the conduct of its officers, your sense of official obligation would prevail over your personal feeling, and restrain you from abusing the power of your great office to gratify your personal resentment. Your last letter, however, makes it manifest that our forbearance has only invited your more persistent attacks, and we feel that we owe it to ourselves as well as to our stockholders to recall to your mind the events which convince us that your course is due to your personal hostility toward the officers of this bank.

On December 3, 1913, the New York Tribune published an article severely criticizing you with respect to a certain transaction conducted by you as Assistant Secretary of the Treasury, and when another article of similar import appeared in the same paper on the following day, Mr. C. C. Glover, the president of this bank, received a request to call at the office of the Secretary of the Treasury. Mr. Glover promptly complied with that request, though he had not the remotest idea of why it was made; and he had hardly more than entered the Secretary's office when he was charged, in the most offensive manner, with having inspired those publications. Mr. Glover emphatically denied that charge, and the Secretary then declared that if he (Glover) was not himself responsible for those articles, they were instigated by some of his associates in this bank. Mr. Glover demanded to know who of his associates were supposed to be responsible, and the Secretary named the vice president, Mr. Flather, and Mr. Ailes. Thereupon, Mr. Glover replied that before accusing those gentlemen the Secretary of the Treasury should send for them and hear what they had to say about the matter.

Accordingly, Messrs. Ailes and Flather were summoned to the Treasury Department, and there in your presence and the presence of Mr. Elliott the

Secretary proceeded to question them about the newspaper articles. He first questioned Mr. Flather, who declared that he had not been connected with the articles in any way, and had not known anything of them until his attention was called to them. The Secretary then turned to Mr. Alles and charged him with having instigated the articles. Mr. Alles asserted, distinctly and unequivocally, that he was in no way responsible for them, but the Secretary grew increasingly violent in his denunciation, and finally exclaimed, with an oath, that he would order Mr. Alles out of his office, and turning to Mr. Glover, said: "Mr. Glover, you know what this means to the Riggs National Bank." But notwithstanding the plain threat implied in this last expression, and notwithstanding the gross impropriety of a public official calling private citizens into his office to examine and denounce them about a newspaper criticism, we could not believe that a Secretary of the Treasury, or an Assistant Secretary of the Treasury, would abuse the power of his great office in order to avenge himself for what he supposed to be a political offense against him, and we had a right to expect that the disagreeable incident was closed when we left the Secretary's office. But that we were not to realize this just and reasonable expectation was soon made apparent by the following circumstances:

For many years it has been a habit with the Washington public to pay its annual taxes during the last month in the year for which taxes are payable, and the inevitable result of that was to create a stringency in the local money market at that time. In order to obviate that difficulty, the Treasury Department has made it a rule for the last 8 or 10 years to deposit in the banks of this city, about the usual tax-paying time, a sum equal to the amount which is then withdrawn for the purpose of paying taxes, and the sum so deposited has been distributed among the banks in proportion to their individual deposits, the theory being that the withdrawals for tax-paying purposes would be approximately in the same proportion. But when the deposit was made last year the Riggs National Bank was excluded from all participation in the fund. The fact that the usual deposit was made with every National Bank in Washington except this was a discrimination for which no reasonable excuse could be given, and that discrimination becomes the more apparent and the more unjust when it is remembered that about one-fifth of the taxes of the District of Columbia are paid by our depositors, and that the money with which those taxes are paid is drawn out of this bank.

When we found that our bank had thus been discriminated against we addressed, under date of May 6, 1914, a polite note to the Secretary of the Treasury asking his reasons for the discrimination. Under date of June 11 the Secretary of the Treasury made a rather curt answer to our letter addressed to him more than 30 days before, and in addition to what we think were his wholly insufficient reasons for refusing to deposit any part of the tax money with this bank and as if to emphasize his unreasonable hostility, he told us that he intended "to withdraw all Government funds from the Riggs National Bank."

In pursuance of this open declaration of war on this bank, the withdrawal of public funds from it was systematically inaugurated, and in a very short time more than \$1,200,000 were withdrawn. Such a withdrawal would embarrass a strong bank in an ordinary time, and under the financial conditions which then existed a bank of less than exceptional strength would have been seriously imperiled. In a period of stress, when some banks were failing and all banks were striving to husband their resources, no reasonable depositor would have made an extraordinary, and certainly not an unnecessary, demand upon any bank, and that this demand, both extraordinary and unnecessary, should have been made by the Government of the United States, and by the very department of the Government charged with the care and supervision of national banks, in a time of universal depression, verging on a panic, evidences to our mind a deliberate purpose to wreck this bank if possible, and nothing else than this bank's unassailable position defeated that purpose.

The Treasury Department was not content to withdraw from this bank the funds subject to its own control but it insisted upon the withdrawal of a large fund controlled by the War Department. While the Secretary of the Treasury was withdrawing the public deposits from this bank he was pursuing a different policy toward another bank which is supposed to enjoy your special favor, although every report which it has made to your office since you have been Comptroller of the Currency shows that it has been violating that section of the national-bank act which limits its right to incur indebtedness, and the same reports show that on every statement day its reserve was below the amount required by law.

It would extend this communication beyond a reasonable limit for us to review the letters which have passed between your office and this bank, because they cover more than 400 printed pages. It will not be amiss, however, to say that in this voluminous correspondence you have not in a single instance ordered or requested this bank to discontinue any business practice which it has followed, nor have you suggested the adoption of any new or different business methods, notwithstanding the fact that our board of directors by formal resolution invited your suggestion in that regard. Your object throughout seems to have been to find matter for complaint rather than for correction. Indeed, so eager have you been to find some misconduct on the part of the officers of this bank that you have called experts to assist you in that effort. You kept the regular bank examiner for this district, with an assistant, employed in an examination of it from the 13th of November, 1914, to the 16th of January, 1915; and when that unprecedented examination disclosed nothing which would support your attack, you brought an examiner from another district and ordered him, in cooperation with your regular examiner, to conduct a special examination of our officers, under oath.

Patience with us has ceased to be a virtue, and perhaps never was. Hitherto, although sorely tried, we have by forbearance endeavored to allay your passions and have continued to answer long beyond the time when self-respect and the good opinion of others warranted a different course. We recognize to the fullest extent your official right and your official duty to give to this bank, as to all other banks under your jurisdiction, the most rigid supervision under the law; and we will in the future, as we have in the past, make full reports and complete answers to all lawful inquiries. But come what may we will not further submit to or respond to inquiries that palpably transcend official propriety or authority, and which violate the common rules of decency and self-respect.

Having submitted the foregoing, we now comply with your request with respect to the destruction of the papers and records of this bank, and say that neither since the 1st of May, 1914, nor before that time have any of the books of record or account, or any portions thereof, or any correspondence or reports or statements or vouchers or documents of this bank been destroyed, mutilated, or disposed of.

Not only as a matter of compliance with your demand, but also because we desire that certain matters of fact in this communication shall be placed beyond any doubt, we make oath to this letter.

As only the president and the two vice presidents have cognizance of all the facts herein stated, they alone subscribed.

Respectfully, yours,

CHAS. C. GLOVER,
President.
M. E. AILES,
Vice President.
WM. J. FLATHER,
Vice President.

Subscribed and sworn to before me this 9th day of March, 1915.

WM. H. DORSEY,
Notary Public, District of Columbia.

Senator FLETCHER. What is the date of that?

Mr. HOGAN. March 9, 1915.

Then came other letters that I had intended to read, but will not read; came other statements; came other charges of falsifications, and came the letter of March 30, 1915.

Now, of course, I want to corroborate by the record the statement I made to the Senators the other day. I return again to that letter of March 30, 1915, by which this man sought to get \$5,000 from this bank. We had told him early in this correspondence that we were going to comply with everything that it was humanly possible to comply with. We were not seeking litigation. As I said yesterday, no national bank that was not foolhardy would seek litigation with the Comptroller of the Currency or the Secretary of the Treasury. We did everything that was humanly possible to do; but we told him

early that if he intended to continue his actions on any such pretext as he was doing we would appeal to the courts of this land and bring him there, and it took nine months before he would jump, and it took him less than a month to crawl from his jump.

Senator FLETCHER. I would be glad, Mr. Hogan, if you would read that letter of January 22.

Mr. HOGAN. I have read it into the record while you were out, Senator, every word of it.

Senator FLETCHER. All right.

Mr. HOGAN. On page 470, in the letter of March 30, delivered late on March 31, after saying that he wanted \$5,000 and would we please send it over to him right away, he says:

The \$5,000 assessment imposed as above stated is in addition to the all other penalties which you have incurred and are incurring for your failure to furnish all other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

That is what he said on March 31.

On April 1 we demanded that \$5,000 and we failed to get it. On April 12, which was as soon as we were able to properly prepare a bill charging this man with his misconduct, we filed our bill. Having in mind what he said in that last communication, I want to call your attention to what he said when he came into court. I read from pages 21 and 22 of the affidavit of John Skelton Williams in what we have been referring to as the equity suit:

Inasmuch as the plaintiff did ultimately file reports to all the calls (though at times incomplete and evasive), except that of January 22, 1915, aforesaid, exercising my discretion as Comptroller of the Currency I have no intention of assessing or attempting to collect any penalty on such calls, notwithstanding the fact that some of said reports were not filed within the time prescribed by law, and I hereby waive the right to assess any penalty on such calls other than said penalty of \$5,000.

That was in May, 1915, that he filed and swore to that. And then he says there would not be any other penalties, because we ultimately filed reports. We have not filed any report between the time when he wrote his letter of March 30, 1915, when he said the \$5,000 was in addition to the other penalties incurred, and the time when he wrote this. If we had complied at once, to be free of the penalties, ultimately or otherwise, with his calls for reports, we had complied prior to the time when he wrote that letter in March, 1915; and as I said yesterday, if we had incurred penalties aggregating \$160,000 for violations of law, the law imposed the penalties and there never was any authority given, even to this comptroller, whereby he could gratuitously in his discretion give away \$160,000 of the public funds.

In that same affidavit, always complaining and always asserting that no court had any right to bring him to its bar, he said in conclusion:

I have endeavored in this affidavit to answer specifically and in detail all the allegations of fact contained in the bill of complaint affecting me, without regard to the question of whether they bear upon any issue involved in this action, and to set forth the motives and purposes that have guided me in the matters that are within my explicit jurisdiction and discretion, and as to which I understand that I am not under any legal obligation to account in this action.

That is what the Kaiser used to say!

Now, sir, one of the most reprehensible things that Mr. Williams did was to create a false impression that the Riggs National Bank was habitually short in its reserves.

Prior to the amendment of the law, in the federal reserve act, national banks were required to keep on hand reserves equal to 25 per cent of their individual deposits. The law required that 12½ per cent, or one-half of the reserve, be kept in cash at the bank, and permitted 12½ per cent, or the other half of the reserve, to be kept with other national banks designated by the comptroller as reserve agents. The Riggs National Bank had a very large southern business. A great many hundreds of the banks in the South were its correspondents, and those banks, in order to carry on their business, very frequently would call upon the Riggs Bank for the transfer of funds from Washington to the southern market, and invariably when those calls came in the Riggs Bank, with all promptness, would respond thereto, because our cash reserves whatever they were here in the vaults were always supplemented by cash reserves that we could get in a few hours by telegraph from New York. If we were required to have \$2,000,000 on a given date, and we had \$1,000,000 here and perhaps a million and a half in New York, earning interest, in order to meet the demands of our southern correspondents and the money we had here was depleted temporarily to a very slight extent, the next morning we would have funds from New York to cover it.

All of which was made known to John Skelton Williams.

When he got to the fix where he had to testify to some of this conduct of his, he put forth the fact that we were very frequently short in our reserves. On page 55 of the affidavit which he filed in court he indulged in what I yesterday characterized as that half-truth method. This time he put it in writing which he knew was going out to the public.

As exhibit D to the affidavit of the defendant William he put in a tabulated statement in two parts, part one and part two. I could read you both the figures and the percentages, but it will do to read you the percentages for the illustration of what I want to show. It is a table showing per cent of average reserve for 30 days prior to the dates of reports of condition of the Riggs National Bank. He would take a date and he would put in there that there was in cash 11.88 per cent, and then a dotted line to show how much we had in the hands of our reserve agents over in New York, and then a dotted line, keeping from the public and from the court how much our total reserves in hand were. You will see that except in one instance he does not put down what our cash reserves were in other banks, and in that instance where he does put it down he leaves out what our cash reserves were in Washington; so we have little dotted lines evading the disclosure of facts.

He gave 28 instances in the history of this bank in which he said we were short in our reserve. Out of those 28 instances we were—and he knew we were—17 times over in the amount of cash we had available to us as reserves. As to the cash on hand and the cash, as I have told you that could be brought over promptly, were over

17 times; we were less than a fraction of 1 per cent under nine times, and we were less than $1\frac{1}{2}$ per cent under the remaining two times.

As I have said to you, tirelessly, Senators, he knew, evidently, when he put that thing in that we had no way of replying to it. This was a preliminary hearing on a bill and ex parte affidavits; but, as I said, and I say over and over again, to Justice McCoy's great credit he did not permit that situation, and we did make a reply.

In the affidavit of Mr. Joshua Evans we set forth, first, his statement No. 1, wherein he tries to show our cash reserves. I am not going to read it all to you, but I am going to call your attention to the situation.

On June 28, 1900, the cash required was \$655,675; cash held, \$609,122; cash required with reserve agents, \$655,765; actual cash held by our reserve agents, \$1,310,442.

So we had over twice as much as we were required to have with our reserve agents, and a few thousand dollars only under our cash in bank; and, therefore, to keep from showing to the court and the public the real situation, he put dotted lines where he would otherwise have been required to tell the truth about the money we had in bank.

Think of sending out to the American public and to the public of this community a statement which would lead the depositors and the people dealing with us to believe that we were in a position where we could not meet our reserve requirements on certain given dates, when he knew that on practically every one of these dates we were overwhelmingly in position to meet them.

Think of the harm that he could have done, that he might have done to a national bank by such an action as that. Think of the false inference and the false impression that he might have created and what a run it might have started on some other bank not so strongly entrenched as the Riggs.

Then turn to page 396 of the hearing of Comptroller Williams before this committee in February last, when Senator Henderson propounded a question to him and he said he thought it was not too much to say that his conduct had saved this bank.

Next, part 2d of that report, page 7 of Mr. Joshua Evans's table. I am going to show you what the real situation was.

On September 4, 1906, our total reserves were required to be 25 per cent, and we had twenty-seven and a fraction—

Senator HENDERSON. Just explain that. Under cash, in the table, you have 11.88.

Mr. HOGAN. Yes.

Senator HENDERSON. Now, under agents there are the dots that you have referred to.

Mr. HOGAN. Yes. Do you know what agents mean?

Senator HENDERSON. Yes; other banks outside.

Mr. HOGAN. The National City Bank, for instance.

Senator HENDERSON. Any banks outside of your own bank.

This cash, as I understand it, is what they had in the Riggs National Bank?

Mr. HOGAN. Yes, sir; in the vault.

Senator HENDERSON. The agents are other institutions that you have deposits in?

Mr. HOGAN. Right.

Senator HENDERSON. What were the agents holding on that date?

Mr. HOGAN. 15.16 per cent, instead of 12.5.

Senator HENDERSON. Then the reserve that the bank had—

Mr. HOGAN. Was 27.

Senator HENDERSON. And available on that date was 27?

Mr. HOGAN. Twenty-seven and a fraction; and as I said, if he told the whole truth, he would have disclosed that.

Senator HENDERSON. Your contention is that this Table No. 2 as shown here does not reveal the true situation relative to the available cash on hand that the Riggs National Bank had at that date?

Mr. HOGAN. Obviously and demonstrably so; and he knew it.

Senator HENDERSON. The same condition would exist, then, with reference to these other items, with the exception of January 31, 1910, where there is no cash, but 11.99 under agents?

Mr. HOGAN. Yes. I will show you that condition. In the condition, under cash, we had in our bank at that time or were required to have 12.50. We had in our bank 12.97. We had more than was required, and I venture to say—I have not it before me—

Senator HENDERSON. I say, there is nothing under cash.

Mr. HOGAN. On that date we had 12.97 under cash; 11.905 with agents, and a total of 24.812. In other words, we were under, temporarily, that day, the difference between 25 per cent and 24.81.

Senator HENDERSON. That fact could have been determined under this table, could it not, because while there are dotted lines in the column under cash, and under agents 11.90, still under totals it is carried out at 24.80?

Mr. HOGAN. As to that one date.

Senator HENDERSON. As to that date you could have determined what the cash was on hand?

Mr. HOGAN. Yes; as to that one date. Now, take the other dates, Senator, that you have got there. Will you follow me?

Senator HENDERSON. Yes.

Mr. HOGAN. November 12, 1906, our total was 25.50—more than required. He does not give it, does he?

Senator HENDERSON. He gives under cash, only.

Mr. HOGAN. I see.

Senator HENDERSON. So far as agents are concerned, the only item appearing in that column under agents is the January 31, 1910, item. The balance is all dotted lines.

Mr. HOGAN. They read this way: 28.13, 28.71, 28.10.

On February 5, 1909, where we had cash 11.65, and he does not give the rest, we had 30.96 with our reserves agents, or a total of 42.61 reserves.

He knew it, Senator; he knew it when he sent that vicious statement to the public; he knew it when he put it in the affidavit. He could not help but know it; and as I said to you yesterday, the man who deals in half truths is the most vicious kind of a falsifier. I gave to the court the whole truth, and not part of the truth. I

came back to the court and gave it in Mr. Evans's affidavit, all of those things, so that the court at that time could get it all.

But do you think that we were ever able to overtake the effect of that kind of a table that was sent out by Mr. Williams?

Senator HENDERSON. I understand that you are not complaining of these items where the totals are given.

Mr. HOGAN. You are right, Senator, as you have been all the way through.

Senator HENDERSON. Where the totals are given you can readily determine what the agents have?

Mr. HOGAN. Yes, sir. I do not know whether those totals are correct. The correct totals are given in a full and true statement attached to Mr. Evans's affidavit filed in the equity suit.

Senator HENDERSON. It is only where the dotted lines appear under totals where it might run over the 25 per cent—

Mr. HOGAN. Where it did run over the 25 per cent. There is not a time there where he left a dotted line where we did not have more with the agents than we were required to have. There is not a time there where he left a dotted line that we did not have more than the law required us to have; and there was no time in all the instances he gave, with two exceptions, when we were more than a fraction of 1 per cent temporarily under, caused, by the conditions of which I have already told you.

Of course, when you send out reports that a national bank is short in its reserves; when you make that kind of a statement and make it public, and when you did as Williams did—the day we filed this he sent out a long statement to the press which summarized these things, which gave them to the public, and then he comes around and says he saved the bank. Although it is nineteen hundred and odd years later than any record of miracles, it is a miracle that the Riggs National Bank is in existence to-day.

The CHAIRMAN. Are there totals that do not represent the full amount of the cash reserves either in the bank or in New York?

Mr. HOGAN. Yes; I have called attention to them.

The CHAIRMAN. That is the point I understood that Senator Henderson wanted to bring out.

Mr. HOGAN. He brought it out very clearly.

Senator HENDERSON. What I was getting at was simply this, that in this table, under cash, we have in the first item 11.88. Then there is nothing under agents and nothing under totals. So the inference would probably be that there was only 11.88 in the bank.

Mr. HOGAN. Right; and if he had told the whole truth—

Senator HENDERSON. Where the items are shown under agents and under totals you can easily determine it.

The CHAIRMAN. Certainly, but in some instances—

Senator HENDERSON. Agents were left out entirely, and under totals, too.

Mr. HOGAN. Yes; in numerous instances.

Senators, I am going to insert, because Mr. Williams inserted his statement in the record, the true statement which will be found on page 7 of Mr. Evans's affidavit in the equity proceedings.

(The statement referred to is as follows:)

Date.	Cash.	Agents.	Total.	Date.	Cash.	Agents.	Total.
Sept. 4, 1906.....	11.88	15.16	27.04	Mar. 7, 1911.....	9.36	22.85	32.21
Nov. 12, 1906.....	10.85	14.65	25.50	June 7, 1911.....	11.72	16.44	28.16
Mar. 27, 1907.....	11.69	16.44	28.13	Sept. 1, 1911.....	10.77	14.60	25.37
May 20, 1907.....	12.41	16.30	28.71	Dec. 5, 1911.....	11.25	16.45	27.70
July 15, 1908.....	10.80	27.37	38.10	Feb. 20, 1912.....	10.198	14.197	24.395
Feb. 5, 1909.....	11.65	30.96	42.61	Apr. 18, 1912.....	11.60	13.21	24.81
June 23, 1909.....	10.09	19.13	29.22	June 13, 1912.....	9.40	16.50	25.90
Nov. 16, 1909.....	12.40	12.80	25.20	Sept. 4, 1912.....	9.97	14.53	24.50
Jan. 31, 1910.....	12.907	11.905	24.812	Nov. 26, 1912.....	10.31	14.12	24.43
Mar. 9, 1910.....	11.53	14.73	25.76	Apr. 4, 1913.....	11.15	14.10	25.25
June 30, 1910.....	12.09	13.55	25.64	June 4, 1913.....	11.05	12.53	23.58
Sept. 1, 1910.....	11.40	17.00	28.40	Aug. 9, 1913.....	11.55	12.63	24.18
N. v. 10, 1910.....	10.20	14.74	24.94	Oct. 21, 1913.....	10.13	14.40	24.53
Jan. 7, 1911.....	9.77	13.95	23.72	Mar. 4, 1914.....	10.87	13.46	24.33

Senator HENDERSON. Are you going to bring up a new point now?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. Just before you start, there is one matter that is not clear in my mind. How long a time was this controversy between the Riggs National Bank and the comptroller going on?

Mr. HOGAN. From June 9, 1914, until April 12, 1915. Do you want to know what stopped it?

Senator HENDERSON. No. I—

Mr. HOGAN. The suit.

Senator HENDERSON. What I wanted to get at was that a few minutes ago you referred to the fact that none of the national banks in the city of Washington had been examined by bank examiners as required by law.

Mr. HOGAN. Yes; that they had not had the regular bank examinations required by law.

Senator HENDERSON. What year was that?

Mr. HOGAN. 1913; I will verify that and give it to you in the morning.

Now, you want to know why, naturally—why, if the controversy ended—

Senator HENDERSON. I asked that question before, and your answer was that they were so busy investigating the Riggs National Bank that they did not have the time.

Mr. HOGAN. Right. The controversy ended, so far as this correspondence was concerned, with the filing of the suit on April 12, 1915; but, as I will show you in a little while, from that time on until after October, 1915, the bank examiners were with us daily. They were with us then for the purpose of making out a criminal case, which I am about to tell you of.

One of the things which Mr. Williams made a great point about was what he called compensating balances.

We had very frequently a great deal more money than our depositors wanted to borrow and loan on proper collateral to others. He found in that a cause for criticism. We called his attention to the fact, never disputed and indisputable, the unique and peculiar fact, that in the 18 years of our existence as a national bank, to the time of this controversy, the Riggs National Bank had never refused a

commercial loan in the city of Washington on account of lack of loanable funds. In other words, we never had money loaned on collateral or loaned in any other way that made us refuse, nor did we ever refuse—which was unique—a local commercial loan on account of lack of loanable funds.

Not only that, but we called his attention twice, and maybe oftener, in this long correspondence, to the fact that never in the history of our existence as a national bank had we called a local loan. That spoke not only volumes for our consideration of the local financial condition and the needs of our very restricted and very narrow commercial conditions, but it spoke equal volumes for the high character of our borrowers.

We told him that. We put it up to him squarely twice that we had never refused one single, solitary commercial loan on account of lack of loanable funds; and the inference was, although we did not say it, of you can show to the contrary, show it.

Here was a remarkable fact, that never in our entire existence had we called a local loan. As I say, that was undisputed. He got on this compensating balance proposition. I think the term will be found in his affidavit—

Senator HENDERSON. Just explain that.

Mr. HOGAN. I am going to tell you what it is. It is polite usury.

While he was going after the national banks secretly throughout the country with respect to whether they were charging usury he was insisting that we were guilty of not charging usury.

Here is what compensating balances are: Say that you want to borrow \$5,000. Ordinarily you are not going to borrow \$5,000 unless you need to borrow it. You go to a bank which is not allowed by law to charge more than 6 per cent. That bank says to you, "Senator Henderson, we will loan you \$5,000 if you will give us your note for \$10,000 and agree to keep \$5,000 of it as a balance in the bank."

Senator HENDERSON. Do I have to pay interest on the \$10,000?

Mr. HOGAN. Yes. They do not usually go that high. I have given you for the purpose of illustration the extreme of it. The bank then gets \$600 a year, or 12 per cent interest, on the money you get. Some of them use a certificate of deposit in order to prevent you—I am not going to mention the names, because Mr. Williams must know of it. If he does not, he ought to know. You come into the bank, and they take your note for \$10,000, and they place at your disposal immediately \$5,000, and you must put a certificate of deposit with them of \$2,500, which you can not draw out until you pay that note.

That is a compensating balance.

Senator HENDERSON. Do they allow you on the certificate the same interest the note is to bear?

Mr. HOGAN. Oh, far be it. It would not then be compensating. When I use that term I use Mr. Williams's term.

I want to be fair about this thing. All banks try to build up balances. They try to say to a borrower, particularly if they have got plenty of demands for their money, "If you do business with our bank, you must keep a reasonable average balance with our bank."

It is a better way of getting a little more income than you would

be entitled to under the law. In the extreme case that I have illustrated you would be paying 12 per cent on your loan.

Senator NEWBERRY. Would you consider it a compensating balance if the bank regulations required borrowers to make a deposit of 10 or 12 per cent of the amount of their loan?

Mr. HOGAN. That is what it is. I do not say that it is a thing that is not legitimate, but that is what it is.

Senator NEWBERRY. You do not call that polite usury, do you?

Mr. HOGAN. No; I call this thing that, though.

Senator NEWBERRY. I never heard of that before; but it is the customary and ordinary thing with well-regulated banks that I know about to require depositors to have a deposit that would warrant the loan.

Mr. HOGAN. That is correct. That is precisely what I said just now. As you know, Senator Newberry, there are some banks that have a line of depositors that are not borrowers, and very often banks have to go out and advertise. Very often banks in this community would make loans to persons who were not even their customers.

Then again there is also the overdraft. That is ordinarily an evil, but one way that properly regulated banks get around it is that when they have a loan with a person who has overdrawn his account the collateral pledged with that loan also stood back of the overdraft.

We talked about compensating balances, and, as I say, at the time we called his attention to the fact that we had hundreds of thousands of dollars in our vaults that we had no loans for, and what does he do? I do not know just what he meant by this, but after jumping on us a number of times about it, and after having us ask him, "Is there anything wrong with the loans? Do you want them charged off? Is any requirement being violated? Give us your direction. You, as the comptroller, can do it;" he came into court and filed this, at page 89 of his affidavit, being Exhibit J to Defendant Williams's affidavit:

Lists of loans found in the Riggs National Bank at the time of the examination of May 18, 1914, to 24 borrowers, the deposits accounts of 4 of whom were overdrawn to the extent of \$7,529.88, and the aggregate deposit balance of the remaining 20 was only \$6,823.06.

Then he designates by initials, thereby not disclosing as was entirely improper—I do not say this by way of criticism—the name of the borrower, and he puts in the credit balance, the overdraft, and the amount of the loans.

He knew, because he had been told about all these things; he knew, or he could have known and he should have known before he put the thing before the public that against the \$1,779,000 in loans made to those 24 depositors, the bank had collateral from those depositors that had at that time a market value of \$2,488,444. I do not know how he made the mistake, but he was entirely wrong in his statement about the overdrafts. Mr. Evans, assistant cashier, shows that the entire overdrafts recognizable as belonging to those borrowers at that time were \$175.33, and the person who had \$122.45 overdraft had a \$100,000 loan and \$125,000 collateral in the bank, and the

person who had the \$2.88 overdraft had a \$28,000 loan and \$53,000 collateral in the bank.

Apparently the only purpose of sending that out was to show a dangerous condition.

I ask that there be copied from page 10 of Mr. Evans's affidavit the truthful table, because the other is in the record:

Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.	Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.
F.....		\$63,800	\$82,155	P.....	\$122.45	\$100,872	\$125,000
F.....		63,500	69,000	P.....	52.88	28,622	53,000
R.....		170,202	170,000	T.....		112,500	209,852
V.....		55,000	78,750	W.....		286,500	428,000
A.....		31,647	29,700	M.....		50,000	67,500
D.....		206,307	241,597	P.....		58,250	70,500
D.....		47,000	71,600	P.....		15,184	45,000
D.....		125,787	252,840	N.....		24,000	29,500
H.....		21,000	42,800	F.....		17,500	24,800
K.....		46,666	57,550	N.....		23,000	31,800
L.....		89,500	108,500				
M.....		72,792	98,000		175.33	1,779,629	2,488,444
M.....		70,000	101,000				

Senator HENDERSON. Were there any patrons of the bank or customers that acted under those compensating balances that you speak of?

Mr. HOGAN. We never adopted that.

Senator HENDERSON. You never adopted it?

Mr. HOGAN. No; it is customary with other institutions which I do not think have been favored with the like criticism that we have been favored with.

Senator HENDERSON. I can see where just criticism might be made against that on other grounds than usury. Where a man who is not a depositor and has no balance the bank might want to furnish him money to speculate with, and if it should let him have \$5,000 to speculate with then he would have \$5,000 to his credit in the bank, which would apparently show a pretty healthy condition when, as a matter of fact, it would not really be a healthy condition.

Mr. HOGAN. Right; but you understand, Senator, that he did not criticize us for indulging in that practice, but if it meant anything be criticized us for not indulging in it. I have pointed out to you what it meant, and I have told you the methods adopted by some banks that I know of in working that compensating balance scheme. There is a legitimate way and there is one that I think is an illegitimate way of doing it. I may be wrong in my opinion, but the legitimate way of acquiring a proper balance, as Senator Newberry points out—

Senator HENDERSON. I never heard of it being done with a steady customer of the bank.

Mr. HOGAN. Some of the banks may require a compensating balance, and you give them 9 or 10 or 12 per cent instead of the legal rate of 6 per cent. As Senator Newberry properly suggests, the bank expects those that it lends money to to keep their balances. The rule is that no bank employee or officer shall be allowed to do his banking business with the bank in which he is employed. But that is beyond the question here.

I could go on until the gavel cut me down with illustrations such as I have shown, but I want to call your attention to another matter, because I find that some of the Senators did not seem to get the two things in their correct juxtaposition.

On the night of April 12, 1915, when the Riggs National Bank filed its suit, as I have already told you, Mr. Williams, in a press dispatch given out from his office, referred to the action of the bank's officers as temerity in bringing this suit against him. We really thought we had done the American-like thing. We really thought we had applied the proper method of bringing this thing to an end.

From that day to this, with the exception of his so-called decision of June 21, 1916, we have gotten no more such letters from Williams. All of these things ended with that suit; but, so rumor said, we were likely to learn in some other way what power the comptroller had.

We came on to a preliminary hearing of this case, and there was this exchange of counter affidavits in May, 1915. Among other things, Mr. Williams's counsel brought in an account kept on the books of Lewis Johnson & Co., a brokerage house, which account was kept in the name of the Riggs National Bank, and it showed purchases and sales of stock charged to or credited to the Riggs National Bank.

A great deal was made in the inspired public statement given out about the fact that there was such an account.

I digress to tell you Senators that it developed in the sworn testimony brought out in the criminal case that 11 national banks in the District of Columbia all had similar accounts with Lewis Johnson & Co. That does not mean that I say that the 11 national banks of the District of Columbia were either buying stocks or selling stocks or speculating in stocks. I mean to say nothing of the kind, but I mean to say that anybody with any intelligence could have found out that 11 banks had stock and bond accounts with this brokerage house, which, prior to its failure, was the oldest established brokerage house in the District of Columbia. They could have found out what these transactions were.

As I have said, back in 1904 the comptroller was informed of the character of the brokerage business which, for the accommodation of bank customers, its officers as individuals engaged in—the Glover and Flather and the Flather and Flather accounts grew out of it, as you will remember.

Over and over and over again in this correspondence, in the nine months preceding April 12, 1915, the comptroller had been given every scintilla of evidence regarding just exactly what those accounts were.

A customer would come to see Mr. Flather, we will say—and there are many customers, of course, but those who are speculators go to brokerage offices; they sit around and watch boards or tickers. But there are many persons who want to buy securities and not buy them on margins, but properly put them with their bank and give their note for them, who seek the assistance of their bankers rather than to go to brokerage houses—men and women of eminent respectability. They would ask Mr. Flather or Mr. Glover to attend to the

purchase of securities that would be transmitted by that particular officer who handled it in his individual capacity to, for instance, Lewis Johnson & Co. Lewis Johnson & Co., in order that they might facilitate the handling of the purchase of stocks and bonds, had a private telephone line, which the comptroller knew about and made much of, from the desk of the cashier into their place, which was next door to the bank, maintained, however, at their expense. Also we had a private telegraph line, through the courtesy of Colgate & Co., to the National City Bank of New York, over which we transmitted our daily business with the National City Bank of New York, whose local correspondent we were. When the request was made Mr. Flather or Mr. Glover would say to Lewis Johnson & Co., "Buy 100 shares of steel," "Buy bonds," or whatever it was, whatever character of stock it was. We did not say, "Senator Henderson wants this steel," or "Justice Blank wants this bond." We simply said, "Purchase 100 shares of United States Steel and deliver it."

So, for the convenience of Lewis Johnson & Co., in order that they might know just exactly what the transaction was, they carried that account in the name of the bank whose officer transmitted the order—Columbia National Bank, District National Bank, or Riggs National Bank. Then, when there was delivered that stock or bonds to the Riggs National Bank, payment was made therefor, and the customer paid or it was charged to the customer's account, or the customer made a loan as the case might be.

There was not a single, solitary thing in respect to that transaction that had not been laid bare in the greatest detail to the comptroller and the bank examiners. Mr. Owen T. Reeves swore that the Riggs National Bank was one of the finest financial institutions it had been his good fortune to examine, and he was the man who, after consultation with the Comptroller of the Currency and his legal adviser, directed us to carry the accounts in the way I have already described.

Senator FLETCHER. Did the bank get any commission or brokerage?

Mr. HOGAN. No, sir. It was done as I told you yesterday. If you were here you will remember; but that is beside what I am going to tell you now.

These things were known. Nobody who was a fit subject for any place but a padded cell in a lunatic asylum would have ever endeavored to have denied it.

When we came to the hearing of this preliminary argument Mr. Samuel Untermyer undertook to handle the facts for the comptroller, and he made the statement in a morning session during his argument, producing, as he did, so what had not been furnished us, a very large number of pages of a loose-leaf ledger from Lewis Johnson & Co.'s bank, and he made the statement that he did not mean to say that the Riggs Bank as a bank had bought or sold or speculated in stocks, but that the officers of the bank had engaged in this business, some of them uying for themselves at times and at other times buying for customers, and that he thought it was a subject of criticism. He made it very plain that he made no such charge against the bank as a bank.

Recess came on the day of this hearing, which lasted a number of days, and what transpired during recess, of course I am not advised. Former Senator Joseph W. Bailey and myself solely, as counsel for the bank, conducted this hearing. But after recess Mr. Samuel Unter-

myer, speaking as he did as counsel for the comptroller, went back to the subject which he had thus explained and had entirely departed from in the morning session, and made the direct statement in open court that the Riggs National Bank was a stock speculator and had bought stocks and sold stocks, and even sold stocks short. 'It was a startling statement. The judge sat forward and asked a question about it. It was in the teeth of the real facts.

On that afternoon, knowing these facts and having spent countless hours in the bank myself and having examined into every detail of it, I returned to my office and dictated an affidavit to be signed by Charles C. Glover, William J. Flather, and H. H. Flather, the three officers who had been connected with the bank from the time it became a national banking institution. I did not include Mr. Milton E. Ailes in it, because he had come to the bank some eight or nine years after, and I wanted to make affidavit that was comprehensive and that would cover its entire national existence, by men who were with it from the beginning.

In that affidavit it was stated in response to what Mr. Untermeyer said—I do not mean that we mentioned Mr. Untermeyer's name—that the Riggs National Bank had never in its existence as a national bank bought stock from Lewis Johnson & Co.; that it had not since it was a national bank, sold stock as a bank through Lewis Johnson & Co.; that the bank, since its existence as a national bank, had not made short sales of stock through Lewis Johnson & Co.; that any entries which purported to state that were false entries.

At that time I had not been shown these entries. We only had Mr. Untermeyer's statement for what they showed, and I did not at that time know that Lewis Johnson & Co., for their convenience, carried all those accounts in the bank's name. It did not make any difference. My affidavit stated the facts. I knew at that time, however, that it was commonly known that Lewis Johnson & Co. did have a lot of false accounts. That was the thing that brought about their failure, and some members of their firm were afterwards tried for violations of law. I said that on information and belief the court was informed that Lewis Johnson & Co.'s accounts, it was said, contained many that were fictitious and false.

That affidavit was presented by me to Mr. William J. Flather, and that same afternoon, no one being present when I dictated it, I explained to him that it met Mr. Untermeyer's statement that the bank as a bank had been a speculator, and I told him that it had nothing to do and was not intended to have anything to do with the individual brokerage transactions of the officers which had been so frequently and in detail made known to everybody—the court, the comptroller, the Secretary, and everybody else.

Mr. Flather, under my advice, signed that affidavit, and Mr. Glover and Mr. Henry Flather signed it the next morning, and Senator Bailey presented it to the court.

A colloquy arose with respect to what it meant and, seeing that probably it was being misinterpreted in open court by the counsel for the United States and the counsel for John Skelton Williams, I stated precisely what I have stated to you gentlemen here. I stated just exactly what that affidavit was intended to meet. I stated that if it was subject to a misinterpretation because it did not have the word

"itself" in that was my language and I did not think that when you said the bank had not bought stock you had to put in the words "The bank itself had not bought stock," because that added nothing to it. The truth was there. Right there and then Judge McCoy said from the bench—and you will pardon my apparent egotism in repeating it—that no one would suggest that Mr. Hogan would endeavor to mislead the court, and Mr. Untermeyer said he did not suggest that.

Prior to the bringing of this suit a communication had passed from the Treasury Department to the Attorney General's Department asking that a competent attorney be assigned to the comptroller for the obvious purpose of digging up anything they possibly could to bring the prosecution on, but there was no prosecution. To this day nobody has been indicted. Nobody has been civilly sued for any act of the Riggs National Bank or any of its officers for its many violations of law complained about which, in truth, had no existence when Williams was comptroller.

Having failed utterly to find anything upon which it could frame an indictment, in October, 1915, they indicted Charles C. Glover, Henry H. Flather, and William J. Flather on a charge of perjury, claiming that that affidavit was willfully and knowingly false.

In February, 1919, when John Skelton Williams was testifying before this committee, he was asked about the list of officers that had violated the national banking act, and he repeatedly reiterated that he had nothing to do with the prosecution of violations of law except to report them to the Department of Justice. You will find that in the record. Those of you who heard him probably remember it. Sometimes if the facts which brought about the charge were known to the examiners of the Treasury Department, the Department of Justice put in their examiners, and if they verified those facts then the Department of Justice acted.

In October, 1915, these three men were indicted for perjury under the circumstances that I have just narrated.

Less than a day was consumed by the grand jury of the District of Columbia in hearing the alleged evidence that was placed before that grand jury to support that indictment. It took weeks for the prosecuting officers to put in the alleged testimony to support it, when we met the charge in open court.

Here is the point I want to make to you now. Williams says he has nothing to do with prosecutions. He will shift that prosecution to the Department of Justice, to any agent of the Department of Justice to examine the records and files of the Riggs National Bank. From the time that affidavit was filed until the time the case was tried Williams's examiners were there. From May, 1915, until after October, 1915, Examiner James Trimble and a corps of assistants stayed day in and day out in the Riggs National Bank piling up the alleged evidence upon which to bring and to substantiate an indictment. No agent of the Department of Justice and no examiner of the Department of Justice testified in the trial. The only gentlemen who testified were those who were under Williams's direction. Day after day every single, solitary slip that related directly or indirectly to the Lewis Johnson & Co. accounts was examined by James Trimble and his assistants and carried over to the Treasury Department and then to the district attorney's office.

We demanded a prompt trial. We went into court finally and demanded a trial. We got it after many delays that we did not want. We called attention to the fact that Mr. Williams had sent word to us that he would not recharter this bank. This is in the record and has never been denied—that he was going to use that indictment of those three officers, without a trial, as a pretext for not rechartering this bank. He said it was inconceivable for him to recharter a national bank when three of the principal officers of which were under indictment. He would convict and execute without a trial.

He wrote a letter to a newspaper, taking that paper to task, as is his custom, for having said something about him, and in which he called attention to the fact that these three officers were under indictment for perjury.

When we came to the trial of the case it was a most remarkable thing. I do not say anything as to who is responsible for this thing. I state the fact, and I will leave off comment.

A jury was sworn, a jury of citizens of this community was sworn to try this case, which was a charge of perjury, and during the entire time of the trial that jury was locked up. They were not allowed to separate and go to their homes. Never but once before in the history of the jurisprudence of the District of Columbia in any except murder cases were juries kept locked up except in this case and another case, the other case being a long conspiracy case some years ago.

Senator HENDERSON. Did either side in the District of Columbia have a right to request that the jury be locked up?

Mr. HOGAN. There is no such law; no; and neither side requested it. The act came as a perfectly volutary clap of thunder that afternoon. No one had been told or thought that the jury was going to be locked up. That afternoon the court simply announced that the jury would be locked up, and the court refused to hear any argument or grant any motion on the subject.

The trial lasted approximately three weeks, most of which time the Government was endeavoring to make its case. They had taken, as I said before, less than a day to get an indictment, with the sting that indictment means. I do not know how it is in the States, but under the Federal practice, Senators—and you want some day to consider it—the grand jury has become the most potent engine of oppression in the hands of prosecuting attorneys and those who try to do what was done in this case—

Senator HENDERSON. That is because it is mainly one sided.

Mr. HOGAN. Mainly? Let me tell you about that, sir. Of course, the community had rumors that this thing was about to be done. I had drawn that affidavit. I had explained in open court its purpose. I had assumed responsibility for its language. In the great white light of publicity I stood by it then and stood by it thereafter in the trial, and I stand by it to-day as an absolutely correct statement of fact, thoroughly true; and if there was anything to be criticized about it, the criticism was one of interpretation or a misinterpretation of the words which a lawyer had used in a legal document. These clients, as everybody connected with the case knew, had signed under his advice. So I wrote to the district attorney in this District when I heard that this thing was about to be perpetrated,

and I said, "If there is any authority for it, I request in the interests of ordinary common justice that I be permitted to go before the grand jury and testify in regard to the facts." And I cited a Federal judge's opinion in the case of United States versus Kirkpatrick, in which he said that the ends of justice demanded that all facts be brought before the grand jury that were accessible. I received a letter in reply stating that it was not deemed consistent with the public interest to call me before the grand jury.

The trial came on, the trial that we demanded and sought in this community. But before that, let me tell you what happened. When the town was seething with rumors that these officers were about to be indicted, Samuel Untermeyer, counsel for John Skelton Williams, offered to see that they were not indicted if Charles C. Glover, William J. Flather, Milton E. Ailes, and Henry H. Flather would resign their offices in the Riggs National Bank and these resignations should be communicated to John Skelton Williams.

In other words, the spokesman of the defendant in the equity suit, speaking, I assume, with authority, offered to trade resignations of these bank officers whom we charged this man was trying to drive out of their honorable positions—to trade in indictment for resignations.

Senator HENDERSON. This was an indictment for a felony?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. It would be compounding a felony?

Mr. HOGAN. It would be compounding a felony. Not only that, it would have been the most humiliating and dishonorable thing that a man could have done.

Senator FLETCHER. Whom did he make that offer to?

Mr. HOGAN. William Nelson Cromwell, who was then representing the bank, and myself, in the Shoreham Hotel.

I want to say this for Mr. Untermeyer. He said then and he has repeatedly said since that he considered that the indictment should never have been brought and that he advised against it. He has repeatedly said that, in fact.

The CHAIRMAN. Were you and Mr. Cromwell both there and you both heard the statements?

Mr. HOGAN. Yes, sir; and on several occasions I had talks with Mr. Untermeyer about that time in which in substance the same thing was offered. We could have bought immunity, so we were told, from this charge of perjury, which every man connected with the case knew there was no justification, even flimsy, for, if we would gratify and make successful the malicious disposition of John Skelton Williams and give him that which he had tried over and over again to get—the honor and the resignations of these men.

Of course it was declined. Of course it was spurned, and the indictments followed.

Gentlemen, when that case was submitted to the jury of citizens that had just been locked up, no ballot was taken. Six minutes from the time that jury went out the announcement came back to the court that they were ready to report—and we learned that five and a half minutes—I am probably somewhat facetious—were consumed by reason of the fact that some of the jurors went to the toilet room and it took the foreman some little time to get them all together.

By acclamation, standing up and shouting their verdict of not guilty, that jury responded; and then this thing happened: Into that crowded courtroom, that courtroom in which William Howard Taft and Theodore Roosevelt had sat and testified to the unblemished character and the high standing and the splendid civic services of Charles C. Glover, when Theodore Roosevelt had said to that jury that when he was President of the United States there had come to his notice the fact that the two Flather boys entering that bank as boys who swept out the bank, had by industry and integrity mounted step by step to the highest positions in the bank—when the jury who had heard those witnesses returned and the foreman was asked, "Have you agreed upon your verdict?" not the foreman alone answered, but 12 men in chorus answered, "We have." And when the foreman was asked, "What say you? Are the defendants guilty or not guilty?" 12 men in chorus shouted "Not guilty," and repeated it as to each one of those men.

Indicted, Senators, on facts which were as available to the man who brought that indictment as they were to the jury that so quickly and so unanimously and with such acclaim found that verdict! Not only that, but when Charles C. Glover and the Messrs. Flather rode back to the bank that day, more than a thousand persons—because that verdict ran like wildfire through this community—had gathered in front of the Treasury Department and acclaimed their vindication, and the cheers rang in the very room where John Skelton Williams sat; and yet this man who criticizes people for being evasive, when he was asked in the February hearings here whether or not Mr. Flather had been convicted, what do you think his answer was?

"I do not so understand."

A plain, ordinary question, and he, more than anyone else, knew. Instead of saying, "No; they were not convicted; they were acquitted," with that evasiveness which characterizes him and which he criticizes in others, you will find in the record that that is the way, in substance, that he dodged it.

That is the criminal case that I find Senators in this record have said they would like to hear the facts about—and a darker page on one side and a brighter on the other has never been written in the history of the jurisprudence of this jurisdiction.

Senator FLETCHER. Was there any instruction from the court to the effect that if they signed the affidavit under the advice of counsel they would not be guilty?

Mr. HOGAN. Yes. The court instructed them that if the facts had been fairly and squarely and truthfully presented, and if their counsel had drawn the affidavit, and they signed it under the advice of counsel, they would not be guilty, certainly. The court so instructed them.

Senator FLETCHER. Notwithstanding the affidavit might not be true?

Mr. HOGAN. I do not know whether the court said that; but that would have been the logical conclusion, fairly, Senator. The court that tried the case knew it was signed under the advice of counsel. The district attorney—a splendid fellow who unquestionably was forced into that humiliating position—knew it was.

The CHAIRMAN. Did not the Attorney General know it?

Mr. HOGAN. Of course the Attorney General knew it. Mr. Williams knew it. Every infernal one of them knew it, because I had proclaimed it in open court, and the court had said that the man who said that would not mislead the court. They knew it. They knew it. It was part and parcel——

The CHAIRMAN. I asked that question because I assumed that the Attorney General did know the law if the district attorney did not.

Mr. HOGAN. Yes.

Senator HENDERSON. I understand that this criminal case was based upon the affidavit that you drew and had these three men sign in order to meet the charges made by Samuel Untermyer in court?

Mr. HOGAN. Right; which charge, of course, was based upon the record made by Williams.

May I just say a personal word? I have been criticized for sometimes appearing to be a little hot about this thing. You may have noticed it. I have said before, and I would like in extenuation to say here, that I have not the slightest respect, but, on the contrary, I have the utmost contempt for a man who claims to be a red-blooded citizen and who can discuss the reign of terror which these officers were submitted to without getting earnest about it.

There was not any question about the overwhelmingly decisive defeat of the Government in that case; and then came the attempt which I spoke to you of yesterday to give a charter only upon two conditions, one of which in his letter of June 21, 1916, you will find, the dismissal of the suit which had never been tried but had only been preliminarily heard, letting him go acquitted, because I had said in the public press that I longed for the time when we could try the case against John Skelton Williams and William G. McAdoo in the bright light which only a trial in a court of our land could give. But Williams had no stomach for such trial, and therefore, in addition to our national life, he required that we dismiss that equity suit, he returning \$5,000 to us, before he would recharter the bank, finally backing down on his other requirement, that these other officers, Mr. Ailes, Mr. Glover, and Mr. Flather, who were then officers, resign.

That is the story of the Riggs National Bank and John Skelton Williams.

I would have to put in some thousands of pages to get it all to you. We tried to get into the court records, as I told you, his correspondence, but his counsel, with commendable wisdom, prevented it. We do not know what Mr. Louis D. Brandeis reported. We have heard that he did report to the President on that correspondence and on its indefensible character. We do know that Mr. Brandeis never mentioned or attempted to defend Williams's conduct at the bar of the court. He left that to Mr. Untermyer.

The CHAIRMAN. Right there: Who was associated with you in the trial of this case? Did you have any associate counsel?

Mr. HOGAN. In the criminal case?

The CHAIRMAN. In the equity case.

Mr. HOGAN. Former Senator Bailey and myself were the sole counsel for the bank. For the defendants, Williams, McAdoo, and Burke: Louis D. Brandeis; Samuel Untermyer; Charles Warren, Assistant Attorney General; Jesse C. Adkins, an attorney of this

city and a former Assistant Attorney General; John E. Laskey, district attorney; and James B. Archer, assistant district attorney.

The CHAIRMAN. That was in the equity case. Now, in the criminal case?

Mr. HOGAN. All of the defendants were represented in an advisory and consulting capacity by Mr. J. J. Darlington. Mr. Glover was represented by Mr. Stanchfield and Mr. Hoover, Mr. William J. Flather by Mr. Daniel O'Donoghue. In conjunction with Mr. Darlington I conducted, up to the time I went on the stand, the examination largely of all of the witnesses for the defendants. Having gone on the stand myself, I took no part in arguing the case before the jury, and I received no compensation for any services rendered in that case.

The CHAIRMAN. This matter of the criminal case and this offer not to bring the indictment in the event that the officers of the bank would resign, that was made in your presence and in the presence of—

Mr. HOGAN. Mr. William Nelson Cromwell.

The CHAIRMAN. He is in France now?

Mr. HOGAN. I do not know where he is. I have not seen him for some time. He was in New York.

The CHAIRMAN. Was anybody else present?

Mr. HOGAN. No, sir; not at that time; no one that I recall. I discussed it with Mr. Cromwell and Mr. Untermeyer at the Shoreham Hotel on the occasion that we were together.

The CHAIRMAN. Have you had any correspondence with Mr. Cromwell since then?

Mr. HOGAN. I have not.

The CHAIRMAN. You do not know where he is?

Mr. HOGAN. No, sir.

The CHAIRMAN. Was this offer made in the presence of any other witnesses? I understand Mr. Darlington was present.

Mr. HOGAN. No, sir. Mr. Darlington was present at subsequent negotiations which started in March, 1916, after the indictment but before the trial, and Mr. Darlington conducted with Mr. Williams and with others representing the Government the negotiations which led up to the rechartering of the bank in June, 1916.

The CHAIRMAN. At that time, as I understand, Mr. Williams made, in the presence of Mr. Darlington, an offer to recharter the bank in the event the officers would resign?

Mr. HOGAN. Yes, sir.

The CHAIRMAN. Was that offer made in the presence of any other lawyer or person?

Mr. HOGAN. Mr. Darlington can answer that, but I think undoubtedly it was. I think you will find it was made in the presence of a Cabinet officer, even.

Senator FLETCHER. Will you state, Mr. Hogan, precisely, if you are able to, Mr. Untermeyer's conversation about that?

Mr. HOGAN. I have stated it, in substance, but I will give it to you again. It was that he greatly regretted the situation that made this indictment come up; that his own desire was to avoid such things, but that Mr. Williams was, as he knew, implacable in this matter; that something would have to be done to satisfy Mr. Wil-

liams with respect to what he thought should be done with the officers of the bank; that he was insistent; that he would let up on this bank and let up on its officers only when he attained his end of getting Glover, Ailes, and the two Flathers out.

Mr. Untermeyer said he thought Mr. Williams was right in that regard and they should be gotten out; that the easy way out of the thing, in order to save the bank and let it go along and fulfill its functions and to prevent any indictments, was to drop the indictment if these four gentlemen would sacrifice themselves. If they would hand in their resignations undoubtedly there would be no more talk of indictment and no indictment would be brought.

Of course, I am speaking at a distance of four years and I am giving you my memory of what was said, but I have given to you the substance, regardless of whether I quote the words exactly that were used.

Senator HENDERSON. A short time ago you referred to a statement made by Mr. Williams before a hearing of this committee in February, to the effect that matters that came up requiring action by the Department of Justice were referred to that department. You had no reference to the criminal cases that you have just referred to, had you?

Mr. HOGAN. Here is what I had reference to, Senator—

Senator HENDERSON. I want to find out whether or not you had reference to his statement found on page 404 of the hearings held last February before this committee in answer to the second question of Senator Weeks.

Mr. HOGAN. I will look at it, Senator, and let you know. [After referring to hearings.] No, Senator; I did not have any reference to that. I will call your attention to what I had reference to.

Senator HENDERSON. There are two places here. I wanted to have the record show which one you had reference to.

Mr. HOGAN. While I am looking for it, let me tell you that the point was that every time he was asked about prosecutions for violations of law, just as he said he had nothing to do with the placing of money in banks, so he said, "It is not my province. That went to the Department of Justice."

If it has been Mr. Williams's practice whenever there has been any violation of law requiring criminal prosecutions to let the Department of Justice handle it and to have nothing to do with it except perhaps to establish evidence, then that is another conspicuous instance in which he marked the Riggs National Bank for an exception to that practice, because in connection with his endeavor to get evidence to sustain this charge of perjury the only persons who examined the records and went into the records, stayed in the bank and got out the data and brought the data into court and testified about it, were Williams's representatives.

Senator HENDERSON. Who represented the Department of Justice in the trial of the criminal case?

Mr. HOGAN. Assistant Attorney General Fitts, District Attorney Laskey, and Assistant District Attorney James B. Archer. Mr. Fitts was sent as the chief prosecuting representative of the Department of Justice.

Senator FLETCHER. Mr. Undermyer in his conversation did not claim that he was authorized by Mr. Williams to make any suggestion or proposition of that sort, did he?

Mr. HOGAN. No, sir; he was Mr. Williams's counsel.

Senator NORRIS says, on page 216:

When violations have been reported, do you not pursue it any further?

Mr. WILLIAMS. No; then the regular course is for the Department of Justice to send its examiners and follow the matter up. Then their examiners go in, sometimes along with our examiners, and we work together, getting down to the bottom of facts.

Senator NORRIS. I should think you would know then unquestionably about how faithfully the Department of Justice prosecutes those who have violated the banking laws.

Mr. WILLIAMS. We do not feel that that is our responsibility after the Department of Justice has been given all the facts that we know.

You will find similar statements in other places in the record, but that is sufficient to show you. It was never varied; he always said the same thing; and I say if that is his custom, then, he made the Riggs National Bank a conspicuous exception to that custom.

Senator HENDERSON. When you testified to the statement made to you by Samuel Undermyer with reference to the three men, who were prosecuted criminally, resigning from the bank, that if they would resign criminal proceedings would be dropped, did you infer that Mr. Williams had anything to do with it?

Mr. HOGAN. Of course, I inferred it.

Senator HENDERSON. Was Mr. Williams connected with in in any way?

Mr. HOGAN. Mr. Undermyer was his counsel. He was not a Government employee.

Senator HENDERSON. He was not present during the conversation?

Mr. HOGAN. Oh, no; Mr. Williams was never present at any conversation I ever had in my life or any statement I ever made until yesterday. But I want to drive home the inference that when John Skelton Williams's attorney talked about a matter that was placed in the hands of that attorney, the client can not go behind it by saying he did not know. It is inconceivable that he did not know of it. He may deny it until he is red in the face. The inference is there. He has told you that the fact that Milton E. Ailes apparently came on the board of the Seaboard Air Line about the same time that he disappeared from that board; the fact that McAdoo, in his presence, had accused Ailes and Flather and Glover as being the instigators of the New York Tribune articles which criticized Williams; and the fact that complaint was made of discrimination had nothing to do with his persistent persecution of this bank, that they were all merely coincidental. Of course, that taxes credulity to an unreasonable limit. I do not say that Senators will believe me. That is for the Senators. Do you remember Abraham Lincoln's illustration of it, that when A, B, C, and D each did something there was not any necessary connection between their actions, although they might all have been doing something to one end. You remember he used Stephen and James and Roger as his illustrations; but when A, B, C, and D all in different parts of a city built each of them just one part of a structure, and then, at a certain time, they all met at one

place and that made one complete whole that fit together, A, B. C. and D can deny to the end of time that they had no prearrangement, and nobody would believe it.

So, Mr. Williams said that impartially and fairly and without discrimination and without regard to personality he has discharged his duties as Comptroller of the Currency and enforced the national banking law; with respect to these facts that I have called to your attention, while he does not deny that they occurred, although he sometimes denies that they occurred precisely the way in which they occurred, he says they are merely incidental or coincidental things and there was not any conspiracy between Mr. McAdoo and himself.—

The CHAIRMAN. Did Mr. Untermeyer express any doubt of his ability to stop these proceedings?

Mr. HOGAN. None at all, and I had none. Samuel Untermeyer was in the saddle. He was the boss of that case from the time he came into the court.

The CHAIRMAN. If he said what you say he said, it indicated that he had discussed this matter with Mr. Williams?

Mr. HOGAN. I have no doubt about it. He did not say that, but there was not the slightest doubt in my mind that he had.

The CHAIRMAN. He made the offer to you with apparent authority to carry it out?

Mr. HOGAN. Certainly. As I say, he was the attorney for Mr. Williams. Of course, we knew Samuel Untermeyer, we knew the position he had in the case. The present Justice of the Supreme Court certainly faded into significance from the time Samuel Untermeyer got into the saddle in that case. I think I have answered your question.

The CHAIRMAN. Have you other matters that you wish to bring before the committee? It is now half past 5.

Mr. HOGAN. I have a very serious charge that I would like to bring up to-morrow morning.

(Thereupon, at 5.30 o'clock p. m., the committee adjourned until to-morrow, Friday, July 11, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, JULY 11, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.15 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Newberry, Keyes, Henderson, and Walsh.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. Frank J. Hogan, Mr. J. J. Darlington, Mr. Wade H. Cooper, and others.

The CHAIRMAN. You may proceed, Mr. Hogan.

STATEMENT OF MR. FRANK J. HOGAN—Resumed.

Mr. HOGAN. Senators, I called to your attention yesterday to what I have no hesitancy in denominating as a flagrant violation of a plain provision of the law by John Skelton Williams in his failure to have the national banks of the District of Columbia examined as required by law in those years when he was using his official power and his national-bank examiners for the purpose of carrying on his persecution of the Riggs National Bank.

Section 5240 of the Revised Statutes of the United States, as amended by the act of 1913, in this clear and explicit language provides:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners, who shall examine every member bank at least twice in each calendar year, and oftener if considered necessary.

In this city there is a national bank known as the Federal National Bank. It is located within one block of the Treasury Department. In the year 1914 it was examined once, in June, 1914, the examination terminating June 10, 1914. It was usual for banks to be examined in the spring or summer, and then in the fall and winter, usually, so as to get them separated. June 10, 1914, the Federal National Bank's last examination and only examination for that year was completed. Coincident with that date you will remember opened this controversy with Riggs, and never again during the year 1914 did the Comptroller of the Currency, who has told this committee that he is criticized for enforcing the law, carry out that plain mandate of the law with respect to that bank.

In the year 1915 the Federal National Bank, from January until December, was given but one examination, and that occurred in March, 1915. After that time, and down to October, 1915, when the indictments I have described to you were brought, the bank examiners were too busy to give the lawful attention to the condition of other national banks.

The CHAIRMAN. What you are testifying to now, I suppose, is a matter of record?

Mr. HOGAN. Yes; all these things are matters of record.

In the year 1916 the Federal National Bank, in this city, in violation of the law which the comptroller was sworn to enforce, was subjected to a bank examination but once, and that examination was October, 1916, ending on October 2. A splendid financial institution is that bank, but what have you Senators to say when a man comes in here and swears to perform the duties of his office, in the face of that requirement of the Revised Statutes, but the comptroller here, right in the city, when he is using his bank examiners as he used them against the Riggs Bank, does not have the Federal National Bank, a block away from the Treasury, examined at all from March, 1915, until October, 1916? Get, if you please, the long time that passed between those examinations.

And now let me show you the record of what he did with the other national banks. Let me show what, if anything, he did when the Commercial National Bank, of which at that time Tucker Sands, from his city in Virginia, his close personal friend, cheek by jowl with him day in and day out in the Treasury and on the streets of this city, was vice president, was reporting in every report that bank had published from the time he became comptroller until the time we wrote our March 9, 1915, letter, showing they were low in their reserves and were doing business, at a time when that bank was notoriously being favored by Government deposits which he directed the placing of in a manner I am going to show you before I get through here. There is the law; there are the facts; there are the dates. It can not be answered, Senators.

Yesterday Senator Henderson asked me whether or not it would not be compounding a felony under our law to trade, as I used the expression, resignations for indictments, and I answered yes; it would. Understand, however, that I did not mean by that answer—I have not read how the record has it—that Mr. Untermeyer proposed to compound a felony, because Untermeyer knew no felony has been committed. You can not compound a felony unless knowing a felony to have been committed, you do something to compound it. Untermeyer knew and said that the indictments should not be brought. He has told me within the last few months that he strenuously recommended against the indictments as a foolish thing for the Government to do. He knew perfectly well, as every other man representing Williams knew—

The CHAIRMAN. This offer was made before the indictment was found?

Mr. HOGAN. Oh; yes, sir. But it was not compounding a felony so long as Untermeyer knew that there was no felony committed, as every other man connected with this administration who knew anything about the facts knew when they brought the indictment. But the in-

dictment was what we were paid for daring to sue John Skelton Williams.

Senator HENDERSON. Let me ask this question: Was this proposition made to you before or after the indictment was found?

Mr. HOGAN. Before.

Senator HENDERSON. There were no indictments at the time?

Mr. HOGAN. No indictments. But of course the air was filled with rumors of indictments.

The CHAIRMAN. You said there were rumors?

Mr. HOGAN. Oh, yes; the newspapers had it.

The CHAIRMAN. Can you put into the record an item of publication of any kind indicating what the nature of those threats was, and what the rumors were?

Mr. HOGAN. I can, sir; a publication of a local newspaper. Of course, I haven't them here, but I will put them in the record.

Senator Fletcher asked me yesterday afternoon after he had received a note from Mr. Williams, as other Senators have received from time to time from Mr. Williams, notes that have been handed up here so that questions might be propounded to me, a thing I do not criticize—whether or not the judge did not charge that if the defendants, Mr. Glover and the Messrs. Flather, acted upon the advice of counsel in making the affidavit for the making of which they were indicted, they were entitled to be acquitted. I want to make my answer to that exceedingly plain. And may I say parenthetically that no more masterly, eloquent or fair charge has ever been delivered to a jury since the establishment of that bulwark of our liberties, the trial jury system, than that charge. If I had anything to criticize regarding Judge Siddons or Judge McCoy, or any other judge, the mere fact that they are judges and I practice before them would not stop me criticising them. But Judge Siddons, when he came to charge the jury, rendered a charge that was so fair and so commendable that it will stand as one of the brightest contributions to the law of trial by jury ever heard in this or any other jurisdiction.

After pointing out to the jury that the standing of these men in the community amounted to naught if they were guilty of an offense, he charged them correctly on the law with respect to following the advice of counsel. But he told the jury that if these men knew the facts—if they, as officers of the bank, knew the facts—and knew that the affidavit was false, or did not know that the facts stated in that affidavit were true, then the mere fact that they signed it because counsel had drawn it, and on the advice of counsel, would not save them, and they would be guilty. So that he did not simply say they could go acquitted on the advice of counsel. The issue was squarely put to the jury, and, as I told you yesterday, the jury by acclamation not only acquitted, not only vindicated, but gave an oration to the defendants.

Gentlemen, before I show you how this man uses his office for reprisals on the one hand and how he uses his office to pay debts in connection with this prosecution on the other hand, I want to pay some little attention, only because it has been dragged into this record, to one or two things that he said here. I am going to refer with great regret to the Giesecking case. I would not mention it if it

had not already been brought into the record—and it is fair to say that the comptroller did not first bring it into the record. But the comptroller did use it when it was in the record, following his customary habit to have you draw a false impression from it.

It was ascertained a little more than a year ago, during the sickness of one of the note tellers of the Riggs Bank, that he had defaulted in his accounts. These defalcations were going on for a long period of time. The amount of them to a bank of the Riggs standing and solvency was unimportant in the sense of having any effect upon its financial resources. The case was an exceedingly sad case. The man was at the time undoubtedly in a pitiable and pathetic state of health. He had a delightful family. When the defalcation was discovered, during his sickness, he was called before the officers of the bank, and after making a faint denial, he made a very frank and pitiable confession of his wrongdoing. The bank did what, of course, it was required to do, regretfully it made its investigation, and reported to the Comptroller of the Currency and to the national bank examiner the facts thereby disclosed.

Senator Reed, of Missouri, a member of this committee when the February hearings were held, made a statement respecting what he did to help the family of Mr. Giesecking. What Senator Reed did will stand always as a testimonial to the Senator's splendid heart and charitable mind. Mr. Giesecking and his family were neighbors of Senator Reed. Senator Reed had purchased his house from Mr. Giesecking directly next to where Giesecking himself lived, and Senator Reed went forward for that neighbor and tried to do everything he could to get the members of the family who were capable of working positions in the Government. Mr. Joseph P. Tumulty did likewise. May I say I trust the press will not mention this Giesecking case, because it can only do harm to an innocent family, which, as Senator Reed says, always suffers more than the guilty.

Whatever was done to help the Giesecking family receives not only my commendation but the commendation of every officer of the Riggs Bank. The officers of the Riggs Bank, as such, did simply their duty. The Fidelity Co. that was on Mr. Giesecking's bond paid the amount of money that they were required to pay on that bond, and they took, as I assume they had a legal right to do, deeds to what property he held in his name as security. The bank took none of his property, except such money as he raised and voluntarily paid to the bank, leaving a deficit. The bank was not paid in full—could not be paid in full. Representing the bank, I agreed with Mrs. Giesecking, a splendid woman, that she might keep for her own use at that time some funds Mr. Giesecking had until they could get on their feet. The bank, of course, had no right to give money either to a defaulter or to the family of a defaulter, but Mr. Charles C. Glover personally handed Mrs. Giesecking \$400 in order that the family, reared in the station in life that they never should have been reared in, could arrange their affairs until such time as they got work.

I bring that in because the Giesecking case is brought into this record, and I say, as I think Senator Weeks said, that Senator Reed's and Mr. Tumulty's efforts to help that family are not subjects for criticism, but they are subjects for most splendid commendation.

The Comptroller of the Currency gets out and got out just shortly before this Giesecking case placards inviting attention to penalties for

the violation of the national bank act, undoubtedly as a warning to persons against those penalties, and the comptroller, so far as I know, in this case simply forwarded the report of the defalcation to the Department of Justice. The case has never been tried, and I understand the man is still sick.

But that record having been brought here, on page 397 the comptroller said:

Mr. WILLIAMS. They were carrying the stocks, and I think he denied that he had given them authority to permit the purchase. That is one particular case, and there were a number of other losses.

Referring to what I denominated yesterday as the Musher case:

Senator WEEKS. Was there any loss on account of the loans made by officers or employees of the bank?

That, undoubtedly, should read, "to officers or employees of the bank."

Mr. WILLIAMS. Oh, I don't recall as to whether—yes; I will say there was an atmosphere of speculation in the bank at that time which was exceedingly unhealthy. At a previous hearing reference has been made to one case where a note teller, I believe, embezzled fifty or sixty thousand dollars of the bank's money. I presume he felt that as the officers of the bank were speculating, that the president of the bank was buying and selling stocks and the vice president was buying and selling stocks, and others, that he could speculate also. The result was that there was an embezzlement; in fact, I think there have been two embezzlements in that bank from time to time in the past. But that was, as I say, I think the example of having the officers of the bank engaged in stock speculation, which was an exceedingly unhealthy one for the bank.

Before he made that statement he could have ascertained the facts, could he not? What impression did he want to create here except that this man Giesecking had become a defaulter by speculating in consequence and as a result of the example set him by officers, when, if he had taken the slightest trouble to find out the truth, he would have learned a remarkable thing—that stock speculation had nothing to do with Giesecking's defalcation. Giesecking was not a stock speculator. In fact, the only stocks—very few—that Giesecking had were turned into money and enabled him to make good in a very small part his defalcation. He would have learned, as anybody could learn, that Giesecking's defalcation was the result of living on a false basis. A man who had a small salary had received some years ago a legacy—I do not remember the exact figures, but something like \$20,000—and, like so many men who get \$20,000, that seemed to make him feel that he was rich, and he immediately built a home far beyond his natural and normal resources, and the story is a story of keeping up with the Joneses. He lived in an expensive neighborhood, his family lived on an expensive basis, and the money was used for that purpose. It was taken from time to time in order to keep this expensive mode of living, the keeping of an automobile, and the living on a basis that the man had no right to live on. The bank should have known of this mode of living, but not knowing that he had this legacy did not know that he had resources outside of his salary. That was the whole story of the Giesecking case, out of which this man Williams attempts here before the Senate committee to create the impression that this was the result of the atmosphere created in the bank by a man like Mr.

Glover, a millionaire, buying for his own account, when he wanted to, stocks and bonds.

Not only that, there was one other defalcation, he says, and he brings that in. He knew—and if he did not know, he should have known—that the second defaulter did not come into the bank until 1918. He was an employee taken on during the time when all banks and all industries were suffering from scarcity of labor. He was a well recommended young man who forged some checks of depositors. He was not there at the time when these things which he said ceased afterwards, and which he criticized, were going on. When a man comes before a committee of the United States Senate, having available to him and accessible to him those facts, and makes that sort of a statement, endeavors to use those things which he could have intelligently informed himself about, am I overstepping the bounds of fairness or propriety when I say that it shows the characteristic expert falsifier—the creator of false impressions?

I call your attention to the February hearings, on page 377, where he refers to the fact that merely because he put the word “and” where he should have put in the word “or,” in calling for these special reports, a \$5,000 fine was not sustained. In other words, wherever he mentions that, he creates the impression that by a technical inadvertance he called for these reports with the word “and.” Of course, he did not do any such thing. You heard me read over and over again that he made these separate officers sign separate statements. It was not any technical oversight at all.

I could go on through this, just as I could go on through the correspondence, and call your attention to his evasive methods, call your attention to the fact that he will not answer questions the facts in relation to which must be at hand. But I will not bother you any longer on that.

Before I pick up one by one this man's misuse of his office as a method of reprisal against those he had personal animosity toward, let me illustrate a case—I do not know how many others there are—whereby he can work his office the other way. When Lewis Johnson & Co., the brokerage house whose office was opposite the Treasury, went into bankruptcy, they had in their employ a man whose name was W. Morris Lammond, a bookkeeper. Mr. Lammond did a great deal of the work in connection with the digging out of the facts of the alleged Lewis Johnson & Co.-Riggs National Bank account for the attorneys for Mr. Williams in the equity suit. When the affidavit upon which the perjury indictment was so outrageously based was presented to the court during the preliminary equity hearing, the next day the comptroller's counsel responded by producing a long affidavit made that night by Mr. W. Morris Lammond, who at that time was acting as bookkeeper for the trustees in bankruptcy of the Lewis Johnson firm. Lammond, in that affidavit—poor chap—was made to swear, not on information and belief, but to swear as of direct personal knowledge, to facts which manifestly and obviously he could not have had any personal knowledge of. If he had said on information and belief, I understand the situation would have been one thing, but the affidavit made him testify as to things which went on in the Riggs Bank, where he was not employed, and where he could not have been employed. It was an obvious thing, and it became more obvious this way: Lammond was a witness before the

grand jury in that expeditiously conducted proceeding whereby Mr. Glover and the Messrs. Flather were indicted.

When Lammond came on the witness stand in the criminal prosecution, he was the most harmless and innocuous witness ever produced by a prosecution against defendants. Of course, the facts which it was easy for him to state in an ex parte affidavit, when restricted by rules of evidence he could not testify to. His testimony was purely formal, the recognition of documents, and absolutely did no harm whatever.

The trial ended. The next time I met Mr. W. Morris Lammond he was assistant national bank examiner, assigned to the Philadelphia district by the grace of John Skelton Williams, Comptroller of the Currency.

The CHAIRMAN. Before you pass that, can you in a word give the committee any idea of what Mr. Lammond testified to that was false?

Mr. HOGAN. I will put the affidavit in the record, with the chairman's permission.

The CHAIRMAN. Very well.

Mr. HOGAN. If the affidavit had been true, if the facts in the affidavit had been true, there would have been no escaping the trial for perjury.

The CHAIRMAN. They did not escape the trial for perjury?

Mr. HOGAN. I mean there would have been no escaping conviction. If his affidavit had been true, the affidavit upon which the perjury indictment was based would have been false, and, as I say, this affidavit was drawn for him, of course, in the night, and when Lammond came on the stand in the criminal case, of course he could not testify to things he did not know of, and he was gentle and nice. All we did with Mr. Lammond was make him a witness for the defense.

The CHAIRMAN. As a matter of fact, then, in the criminal trial he did not support his affidavit in the civil proceeding?

Mr. HOGAN. No. I am through, except as to anything I might be asked, with the Riggs Bank phase of this case.

The CHAIRMAN. Your testimony, after it is printed, of course, will be given to the comptroller.

Mr. HOGAN. Yes, sir.

The CHAIRMAN. And he will have an opportunity to make reply.

Mr. HOGAN. Yes, sir.

The CHAIRMAN. If at that time there are any corrections that you wish to make, I presume you will have an opportunity. I want to be fair about this.

Mr. HOGAN. As I stated to Senator Henderson when he made that statement to me yesterday after adjournment, no matter where I am, I am at this committee's disposal, and with any reasonable notice I will again respond, as I have responded now, to a request of this committee.

I have only given you samples of this correspondence. It would take 500 printed pages to give it to you all. It just simply was characterized throughout, as I have already said to you, by this sort of thing. The board of directors of the bank would say to Mr. Williams, "Is there any practice or anything here at all that you want changed?" And he would answer, "Your artless inquiry is understood and appreciated."

The board of directors of a bank would say to him, "We had a national bank examiner in here in May, 1914. Did he report anything that ought to be changed? Did he report against us?" The answer was, "You will soon learn what this office can do."

The board of directors said, "You have charged our officers with falsifying under oath. Will you please inform us, so that we may take appropriate action, what falsifications you have other than that one of Mr. Glover's you have called attention to?" And he answers again, "Your artless seeking for information is not misunderstood by this office. In due time this office will take appropriate action."

The CHAIRMAN. That volume of letters will be left with the committee, Mr. Hogan?

Mr. HOGAN. Yes, sir. I do not think that volume of letters, however, should be published, because, as I say, name after name of persons having no connection with this are in it.

The CHAIRMAN. I understand. It will be considered in executive session.

Mr. HOGAN. The Riggs Bank, when Mr. Williams was nominated during the last session of Congress, neither by its officers nor its attorneys took any part whatever in opposing his nomination. The Riggs Bank has no interest, any more than other national banks would have, in whether Williams or Jones or Smith is Comptroller of the Currency. That is not for its selection. The Riggs Bank's position with regard to whether or not it would be heard on the subject is very correctly stated by Senator Owens, the former chairman of this committee, in the February hearings, at a time when the committee had requested my appearance here, and I was in Brooklyn. I do not remember the page it is on now, but it is very well stated and I need not bother to call your attention to the page, but Senator Owens stated the Riggs Bank's position so clearly that I could not improve upon it.

The CHAIRMAN. The bank had an opportunity to appear last session but did not.

Mr. HOGAN. I am here in the performance of what I consider individually and personally a public duty, after I received the request of this committee to come here, to let you know facts which demonstrate the manifest and obvious unfitness of this man for office.

But I have not shown you the main thing even yet. One of the things that Williams has prated about more than anything else is this, that it is a slander to say that he would use his public office, or that he ever did use his public office, to get back at a personal enemy or at any one who criticized his public acts, or to attain the end of personal hostility or malice. That has been his card all the way through. Now, let us test it.

First. Ailes and Flather, two officers of the Riggs Bank, are the only persons to appear before the Senate committee in opposition to his confirmation when he is first appointed and the Riggs Bank suffered for it.

Second. George G. Hill, the New York Tribune correspondent, and for some years now the London Times correspondent—or one of the London Times correspondents—wrote the articles which criticized Williams's public conduct with relation to the Munsey-United

States Trust Co. consolidation in this city in 1913. Every time he issues a public statement you will find in it an attack on Hill. In the public records here of the February hearings he puts the quotation that he uses constantly from Secretary McAdoo, to the effect, in substance—I do not want to waste time turning to it—"This correspondent is known and thoroughly discredited in this department." He seems to think by repetition of the thing he will end Hill's newspaper career entirely. Every time Hill has written an article reflecting upon the condition of his public office he has gone after whoever dared publish that article. Not long ago his secretary telephoned to Hill, because Hill in the Boston Transcript had written an article about the comptroller's public conduct, summoning Hill before the bar of that supreme tribunal to answer. As I say, he has taken advantage of this proceeding here.

Mr. Hill, I said the other day, was a member of the Senate gallery. He has been continuously with two exceptions. Having a fine ideal of the correspondent's duty, he demitted from the Senate gallery, he gave up his privilege in the Senate gallery when he was employed to conduct our publicity in connection with the equity suit. The Riggs Bank at that time, or its officers, had him directing the publicity, because, as you Senators will recognize, there were two aspects to that when we were forced to bring this man to the bar of a court of justice to assert our rights. One was the public aspect, the other was the court aspect. If the publicity was not intelligently handled, a run would have occurred on that bank. Mr. Hill was a man who had experience in handling things of that sort, and he demitted from the Senate gallery. Latterly he has done the same thing, because he is now doing publicity work for the national committee.

But because Mr. Hill has suffered from this man's hostility in every way he can, and because he has said he is a thoroughly discredited correspondent, just as a matter of American fair play I am going to ask to be allowed to read into this record a tribute of Mr. Hill from a man that many of you Senators know personally and that all you respect the opinion of. I hold the original letter in my hand, which Mr. Hill prizes highly. It reads:

UNITED STATES SENATE,
Washington, D. C., October 23, 1914.

MY DEAR MR. MITCHELL: I beg to introduce to you my friend, George G. Hill, who has long been head of the Tribune bureau in Washington. Mr. Hill's connection with the Tribune has ended and his services are available for some other paper. A long and intimate acquaintance with the representatives of the press makes me feel competent to say that, many able men as there have been among them, Mr. Hill ranks with the very first. He has established a strong feeling of confidence in him among public men, and they like him and trust him, and he has acquired the kind of thorough and confidential knowledge of the affairs of our Government, its personnel, its inside history, the meaning of things said and done, the inferences to be drawn from what happens here, the real weight and potency of the forces at work, which can be gained only by long and successful experience. The ability of a man to learn what is really going on here depends very much on his having that kind of knowledge, so that, with a very little additional information, he has the whole story.

I know of no Washington correspondent in recent years whose articles have commanded more respect and shown more correct insight and information than his. I beg to commend him to your kind consideration and courtesy.

With kind regards, I am always,
Faithfully, yours,

ELIHU ROOT.

EDWARD P. MITCHELL, Esq.,
The New York Sun, New York City.

Senate committee opposing the confirmation of the Comptroller of the Currency. February, 1919."

There are four pages of the memorandum, and then he has attached to the memorandum a copy of a letter of March 25, 1919, from John Skelton Williams to Mr. J. R. Downing, vice president and cashier of the Phoenix & Third National Bank, Lexington, Ky. You see, this man spends so much time carrying on his own fight that it is no wonder that banks telegraph in here that they can not get information.

Senator HENDERSON. Did you receive that through the mail?

Mr. HOGAN. Yes; I received it through the mail. It was not sent to me direct. This was sent to a friend, a man living in Washington, having no connection with any bank at all, and it was sent by the mail from him to me.

I am not going to read this except to say this: This is a United States Senator, Senator Weeks, who in the Cooper memorandum Williams refers to as the "now ex-Senator Weeks"—not as "ex-Senator Weeks" or "former Senator Weeks," but as "now ex-Senator Weeks."

This memorandum he devotes to the United States Senator who had the temerity to oppose him. He first charges in fairly diplomatic language that Senator Weeks knowingly made a false statement. He said that Senator Weeks could not possibly have forgotten that he had received a letter which was commendatory of Williams at the time when the Senator said that all the correspondence he had received from bankers while he was Senator was condemnatory of him, and he puts in juxtaposition Senator Weeks's statement and Senator Weeks's subsequent statement about this one letter that he received from somebody, I think, in Kentucky, and then he goes on to argue that Weeks made this admission only after he discovered that the Comptroller of the Currency knew of these resolutions and after (underscoring the word "after") the Comptroller of the Currency had read a letter from the president of the national bank.

And then just think of this sort of thing to be sent out about a United States Senator who, however much he opposes you, we must assume tries to do his duty:

The matter of a single letter, of course, is not important of itself. In this instance, however, this letter, taken with the circumstances connected with it, has serious significance. It seems to prove that Mr. Weeks's memory fails to function efficiently on points favorable to Mr. Williams's fitness to be comptroller, but is vividly retentive of every scrap of anonymous suggestion or bit of floating fretfulness he can gather to support his contention that the comptroller is, as he charged, "temperamentally unfit." It suggests that even he may doubt the value of opinion based on rejection of the evidence of one side and inflation of that on the other side. It indicates that such opinion was entitled to little weight even aided by the dignity of a Senatorship from Massachusetts, and can not command much respect even by the pathos of its expression as a "swan song," as the now ex-Senator described his fervent appeal before the Senate committee preceding his retirement by request of his constituents.

Comment is unnecessary.

Senator HENDERSON. I suggest that that entire letter be put in the record.

Mr. HOGAN. I hand it to the reporter. I think it ought to be.

(The letter referred to is here printed in full, as follows:)

MEMORANDUM REGARDING EX-SENATOR WEEKS' TESTIMONY BEFORE THE SENATE COMMITTEE OPPOSING THE CONFIRMATION OF THE COMPTROLLER OF THE CURRENCY.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, February, 1919.

At a hearing before the Banking and Currency Committee of the United States Senate on February 19, 1919, on the question of the confirmation of the nomination by the President of the present Comptroller of the Currency, Senator Weeks read to the committee certain resolutions which he said he had received which criticised the administration of the present incumbent of the office and expressed approval of Mr. Weeks's opposition, but the Senator refused to divulge the name of either of the two "associations" by which he said these alleged resolutions had been passed, until he learned that the Senate committee was better informed on this point than he supposed it to be. He then admitted that the first resolution which he had read was from the clearing house association of Lexington, Ky.

Attention is called to the inclosed copy of letter addressed by Comptroller Williams on March 25, 1919, to Mr. J. R. Downing of Lexington, Ky., in reply to a letter from Mr. Downing dated March 21, which throws some light on the origin and purpose of those resolutions and of the similar resolutions passed by the clearing house of the neighboring town of Winchester. No reply from Mr. Downing to the comptroller's letter of March 25 has been received.

As a prelude to Senator Weeks's introduction of these two resolutions he made the following statement to the Senate committee:

"I have not had a communication with a national bank as far as I can remember, for five years—having been a national banker and being on this committee. I have had a great many communications—I have not had a single word that I recall which has not been critical of the comptroller."

That statement was made by him deliberately, and the record shows that in making it he uttered an untruth. For at the very time he made the statement above quoted he had in his possession, freshly received, a communication dated February 14, 1919, from the president of a leading national bank in Lexington (a former President of the Kentucky Bankers Association), which not only was *not* critical of the Comptroller of the Currency, but which, written without the comptroller's knowledge or solicitation, vigorously protested against Mr. Weeks's opposition to the nomination and strongly commended, not in only a "single word," but at length, Comptroller Williams's administration of this office. The writer of that letter said to Mr. Weeks, among other things, in a way which must necessarily have impressed the letter upon the latter's ordinarily alert memory:

"I notice that you are strongly opposing the confirmation of Comptroller Williams for reappointment on the ground that he is arbitrary and technical and altogether unsatisfactory to the bankers of the country. I wish to say that I have been employed in this institution for upward of 40 years. During that long time I have seen many comptrollers come and go, and I am frank to say that it is my deliberate judgment that no more capable man has ever occupied the position, and it is my firm belief that the national banks of the country have never been in more satisfactory condition than they are to-day.

"He had imposed no conditions which this bank could not readily comply with, and so far as I am concerned the more nearly my bank is compelled to comply with the provisions of the national banking act the better I am pleased. Suppose he is a bit technical, which I do not admit, isn't it better to be so and stick close to the spirit as well as the letter of the law? In times past the leniency of the comptroller's office has enabled men to take advantage of the technicalities of the law to do things which were never contemplated by the national bank act, and which in many instances have resulted in harm to their institutions.

"* * * A comptroller who requires compliance with its provisions, both as to the letter and spirit of the act, is the kind of comptroller I should like to see there all the time, and this I know Mr. Williams to be.

"* * * I would like to say that I am a rock-ribbed McKinley Republican, and always expect to be. And, further, I believe that the working out of our present difficult situation will never be successfully completed until the Repub-

licans are returned to complete control of the Government, so that you will readily see that nothing political could have influenced me to presume to write this letter.

"I am aware of the fact that all of the bankers of this country do not agree with me in my estimation of Comptroller Williams's ability; but being firmly convinced of his value as a public servant, I have determined in this way to register my protest against the effort to defeat his confirmation."

That Mr. Weeks, in view of this unquestioned record, should, for the purpose of injuring or discrediting the comptroller, have made that statement is somewhat surprising. It was hardly to be supposed that a United States Senator would allow his groundless antagonism to one who had done him no wrong to impel him to attempt to deceive his colleagues on a Senate committee with an assertion so unjustifiable and so false.

A few minutes after Mr. Weeks had declared to the committee that he did not recall "a single word which has not been critical of the comptroller" among the many letters he claimed to have received he sought to put into the record, anonymously, the resolutions from the clearing houses of Lexington and Winchester. After he discovered that the comptroller knew of these resolutions, and after the comptroller had read a letter from the president of the national bank in Lexington referred to regarding the letter which that official had written Mr. Weeks remonstrating against his opposition to the comptroller's confirmation, Mr. Weeks then, and then only, apologetically, stated to the committee:

"Well, Mr. Chairman, I have a memorandum of Mr. Stoll's letter to me, which, in justice to Mr. Williams, I was going to mention, because I noted that it came from Lexington, Ky."

That was the only reference Mr. Weeks made to the letter he had just received protesting against his continuing his opposition and commending warmly the work and administration of the office of the Comptroller of the Currency; and as he closed his testimony without producing the letter, the comptroller subsequently submitted to the committee a copy of that letter to Mr. Weeks which the Senator had so recently received and what he admitted he had "noted" as coming from "*Lexington*," and which was, therefore, fresh in his memory at the time he denied he could recall a "single word" that was not "critical of the comptroller."

The matter of a single letter, of course, is not important of itself. In this instance, however, this letter taken with the circumstances connected with it has serious significance. It seems to prove that Mr. Week's memory fails to function efficiently on points favorable to Mr. Williams's fitness to be comptroller, but is vividly retentive of every scrap of anonymous suggestion or bit of floating fretfulness he can gather to support his contention that the comptroller is as he charged "temporarily unfit." It suggests that even he may doubt the value of opinion based on rejection of the evidence of one side and inflation of that on the other side. It indicates that such opinion was entitled to little weight even aided by the dignity of a Senatorship from Massachusetts and can not command much respect even by the pathos of its expression as a "swan song," as the now ex-Senator described his fervent appeal before the Senate committee preceding his retirement by request of his constituents.

In the light of this incident, as set forth in the official record, the statement made by Mr. Weeks before the committee, and which is quoted above, that he had received "*a great many communications*" criticizing the Comptroller of the Currency, calls for corroboration, particularly in view of the comptroller's challenge to him before the Senate committee to produce every letter and every complaint which had ever reached him in criticism of the comptroller, and the late Senator's apparent inability to produce anything to show the slightest foundation for his vaunting assertions.

As a matter of fact, despite his malevolent efforts to discredit or injure and his anxiety to give to his protest all the force that he could summon, it appear by the record that he was able to bring before the committee only two letters of criticism—one of which he admitted was anonymous—from a man whose name he did not know and who, it might be inferred, was too cowardly to communicate with him directly. The other letter which he read to the committee was, he said, from a "banker," but the only objection that banker gave to the comptroller's administration was based upon certain recommendations made in the comptroller's annual report to the Congress, with especial reference to limitations advocated by the comptroller upon a national bank's loans to its own officers and directors. Those *two* letters, supplemented by a

few newspaper articles furnished by a discredited, local bank official, with whom it appears Mr. Weeks was collaborating and who had planned a paid-for propaganda against the comptroller's office, have furnished largely the basis for his unjust and invidious attack.

The burden of Mr. Weeks's complaint as explained by him was his fear that the comptroller might be influenced by "enmities," although in his testimony before the committee on February 20 the Senator frankly said:

"I do not make the positive statement that you have been influenced by enmities. When I say that I think you have been I mean to say the impression that the banking fraternity has is that you have been influenced."

To give color to that theory the ex-Senator referred to the Riggs Bank case, but he was promptly reminded that the decision in that case had been overwhelmingly in the comptroller's favor. He then cited what he claimed was a discrimination in the matter of "railroad deposits," but this suggestion was promptly refuted by the introduction into the testimony of a letter from an officer of the very company he relied on to justify his complaint, which plainly said:

"It has been understood that large amounts of deposits of railroad funds have, as a result of Federal control, been drawn from other banks and trust companies in New York, for various purposes and for various reasons" but that "the propriety of so doing has not been questioned by the company or its officers."

Practically the only further documentary testimony or evidence of any kind with which Mr. Weeks attempted to support his case before the committee was an ancient "Memorandum" irrelevant, absurd, and self-contradictory, relating to the Riggs Bank matter, and obviously prepared some four or five years ago by the same newspaper man whose articles attacking the Treasury Department had been denounced in a public statement by Secretary McAdoo, on December 4, 1913, as "full of falsehood and innuendo and without the shadow of possible justification." "The source of these publications," said Secretary McAdoo at the time, "is known to and thoroughly discredited by this department."

Mr. HOGAN. Now, Senators, how far this propaganda might be directed at me hereafter is utterly immaterial to me and unimportant. How far he has used his public office against a national bank because of his personal malice and animosity to me heretofore is important. It is utterly immaterial to me what John Skelton Williams might do or might try to do hereafter. It has been utterly immaterial to me what he tried to do to me heretofore. But it is of the gravest consequence that you shall know the facts of the charge I am about to make now, so that you may realize how we have always been justified when we said that this man prostitutes high public office to the ends of his hostility.

I never knew John Skelton Williams personally in my life. I never had the slightest reason to have any personal intercourse or business dealings with him. In January, 1914, some six months before I had any connection of any kind with Riggs National Bank, my own connection with that bank having been in a professional capacity as its attorney, I was honored by being selected as a member of the board of directors of the Federal National Bank in this city, which had been organized the year before, in 1913. I have ever since been a member of the board of directors of that bank. Intuitively I felt, from what I knew of this man's conduct in public office, that even my professional connection, merely as an attorney, with the Riggs Bank controversy, might make this man use his office against the Federal National Bank. And so I went to the president and to my very good friend the general counsel of the Federal National Bank, in 1914, before the equity suit was started, which I saw was to be inevitable, and suggested that in fairness to the bank I eliminate

myself from its directorate. They absolutely refused to even listen to the suggestion.

I never said a thing about John Skelton Williams that I did not say either on the public records or in public court, and that I did not say in my capacity as an attorney at law, representing a client. You gentlemen on this committee who are lawyers recognize that all decent men, all intelligent men, know the distinction between what we say on behalf of our clients, in our capacity as attorneys, and those things we may say personally. But if I had said the things I did say in condemnation of his conduct personally, and he had used that fact to wreak his vengeance against me or a national bank, he would have been prostituting his public office, just as he used that office to punish another bank because of my incumbency upon its directorate for what I said professionally.

The Federal National Bank has had a perfectly splendid career. Every time the comptroller's bank examiners have examined it they have commended its management, its condition, and its methods. The bank examiners have come before its board of directors and paid tribute to its splendid management and the way it was handled. It is one of the best young national banking institutions in this or in any community.

It received rather meager consideration in the way of Government deposits, although the Commercial National Bank, of which Mr. Williams's close personal friend, Mr. Tucker Sands, was then vice president, was receiving very great consideration in its Government deposits. Mr. Williams had control—deny it as he will—of Red Cross deposits. One of the schemes to help to get Red Cross deposits out of the Riggs National Bank was to get the Red Cross authorities to demand that banks that had Red Cross funds should put up bonds as security for those Red Cross funds. The Supreme Court of Kentucky had held that to be an entirely unlawful practice, and you Senators will recognize right away how unwise, if not unlawful, it would be. The law requires that Government bonds be deposited for public funds, and all men are presumed to know the law, and so the depositors dealing with the national banks know that there is a deposit against public funds.

But if the Red Cross of other institutions did not have public funds, in the sense of Government bonds, on deposit in your bank, for instance, Senator Newberry, and your bank took out of its assets bonds to deposit to secure the Red Cross deposit alone, the individual depositor, the merchant, and the others, looking at your assets and seeing that you had those bonds, and thinking they were behind the condition of your bank, would be constantly fooled. Yet Williams used that as one of his schemes in trying to get, as he several times tried to get unsuccessfully, the Government deposits away. He recommended, and when he recommended a thing, he kept out of it until the Red Cross did it, in addition to a high rate of interest, the deposit of securities. I mention that because I want to tell you what happened, first, with regard to the Red Cross; and, second, with regard to Government funds in connection with the Federal Bank. And I am stating this as a charge, and I am going to ask this committee to call before you John Poole, president of the Federal National Bank, to substantiate every word of it.

"John Poole" is a name that is a household word in the District. He was throughout the entire war the chairman of the Liberty Loan Committee of the District of Columbia, a committee composed of five or six gentlemen only, having, of course, subcommittees. He was also chairman of the Potomac Division of the American Red Cross. By the consent of the bank, he practically, during most of the war, was absent from his duties in the bank. With absolutely tireless energy, with remarkable executive ability, every ounce of effort, mental and physical, that he could put into patriotic work during the war, he put into that work.

It is a matter of local pride, Senators, which may have escaped the notice of some of you, that this city of Washington led the country in every one of the Liberty loans. The percentage of oversubscriptions here was greater than elsewhere. I think there is an exception in the Victory loan, but in the Liberty loans. The State pride of a Senator who heard me is entitled to be considered in connection with the Victory loan. I said the four Liberty loans, as distinguished from the Victory loan.

While Mr. Poole was giving this tremendous time and attention to this splendid public work, it was obvious to him and to the directors of his bank that the bank was not getting anything like a fair share of consideration in connection with the largest line of deposits in the District of Columbia—the Government deposits. Mr. Poole applied to the Red Cross, and he learned there that John Skelton Williams, who had never let go, as I understand, as treasurer of the Red Cross, had indicated the Commercial National Bank, a pet of his since he went into office, to get a line of something over \$400,000 of Red Cross deposits, though the officials of the Red Cross at that time in charge of that particular deposit desired to place it in the Federal National Bank. Either because they thought they could conduct their own affairs to some slight extent the way they wanted it, or because they overlooked his designation of the Commercial Bank, the Red Cross did deposit—I will not be exact as to the figures, but Mr. Poole will give you the exact figures—around \$400,000 or \$450,000 of its funds in the Federal National Bank, of whose board of directors I was a member, and that deposit remained there just exactly 24 hours, when it was transferred, every penny of it, out of that bank back to a trust company whence it had come. It would have been too raw then for Williams to have had that money taken out of the Federal and put in the Commercial. But he got it out of the Federal, and I am going to show to you that he did it because the Federal had the temerity to have my name on its directorate.

Shortly thereafter, it was well known in this community that the Emergency Fleet Corporation had millions of dollars to deposit here, and to distribute in various banks. Mr. Poole learned, informally, that one of the depositaries that the disbursing officials of the Emergency Fleet Corporation desired to make deposit in was the Federal National Bank. Mr. Williams, who tells you he has no control over public funds, holds that control this way: Since he has been comptroller, any public official who has the depositing of public funds must submit to him the bank, or a list of the banks, that he recommends depositing in, under the guise of knowing the condition of the bank. Then, by a process of elimination he can strike off down

to one, or down to those he wishes to favor with the deposits. Or he can strike them all off and substitute another. Then the deposit is made in the bank approved by the comptroller. And then that comptroller comes before a Senate committee and asks them to believe that he has nothing to do with what bank gets deposits.

So Mr. Poole was informed, in his capacity of president of the Federal National Bank, that Mr. Williams had before him for consideration an official communication on the subject of depositing Emergency Fleet Corporation funds in the Federal National Bank. Mr. Poole, as I say, at that time was conspicuous for his public duty. His bank was conspicuous for its excellent response to the Government's demands on it. So he went over to the office of John Skelton Williams, and he asked Mr. Williams if his bank was not fairly entitled to and should not receive a share of the Emergency Fleet Corporation funds. What do you think Mr. Williams's response was?

Who are your board of directors?

Mr. Poole started to state the board of directors, and Mr. Williams touched a button and said to the messenger who responded, "Bring in the last report of the Federal National Bank," and when the report of the Federal National Bank was brought. Mr. Williams, in a highly dramatic and excited manner, put his finger on the name of Frank J. Hogan and said:

How do you expect to have me approve your bank as a depository for public funds when you have that man on your directorate, a man as unfriendly to the administration as he is, a man who has made the attacks on this administration that he has? Never—

I am telling you in substance. Mr. Poole will tell you the language—

Never, so long as you have that name there, will I knowingly approve your bank for a deposit of any funds I have any control over. What have you got him there for? How much stock does he own?

And then he said, either directly or by way of intimation, to Poole that "If you will eliminate him"—having failed to drive the Riggs officials out of Riggs Bank, he did not use this expression, but here is what he said in substance, "If you get him off your board, if he is no longer on your board, then you can come back, and you will get other consideration."

And he says he does not use his public office for the attainment of his personal malicious ends.

Gentleman of the committee, when I saw, as a director would naturally see, that the Red Cross deposit lasted only 24 hours in that bank; when I saw, as a director naturally would see, that that bank was obviously being discriminated against in the matter of public deposits generally. I went before its executive committee. I tried to find out from Mr. Poole the facts I have just narrated to you, and he declined to give them. He undoubtedly had fear of this man in the Treasury. He simply would not talk to me about it. I cared nothing about myself in connection with it, but I felt that this bank, this perfectly splendid institution, was suffering from this man's malice because of my name on its directorate. I had heard James Trimble say that he never examined a bank that he found in better condition. I had heard James Trimble, the national bank examiner,

speak in the most laudatory terms of the Federal National Bank from every standpoint—that of solvency, management, character of loans, and system. I had sat in the directorate and heard a national bank examiner come before the board of directors and say nothing that was not commendatory in the highest terms of that bank, and I knew instinctively that there was only one way of accounting for the fact that the bank was not getting obviously fair treatment in the matter of public funds, and I went before the executive committee and laid before them my proffer of my resignation. I was willing to stand whatever that man could try to do, so far as I was concerned, but I was not willing that he should hurt that bank because I was on its directorate. I felt that there was no doubt about the kind of malicious mind that he had in his head, and I knew beyond any peradventure of a question, without having been told, that he was using his office, as I had once said he was prostituting his office, to his personal malice. The executive committee of that bank said that they would go out in a body—yea, one of them, J. J. Darlington, said that he would first see the Federal National Bank liquidate, before he would stoop to recommend the acceptance of the resignation of a director because of the personal hostility of the Comptroller of the Currency.

Now, let me tell you what occurred. Shortly after that—and I say it without reflection on the men, either—one Mr. Bolling, I think Mr. Randolph Bolling—and when I say “one,” I say one because there are several of them. I do not mean one the way we talk about “one person”—was employed in the office of the disbursing officer of the Emergency Fleet Corporation.

Another Mr. Bolling was vice president of the Phoenix National Bank, in New York, or was an officer of the Phoenix National Bank, in New York. He is now president of the Commercial National Bank, in Washington. Mr. Poole had told Mr. Williams that he had not come to his office to discuss the personnel of the board of directors, that he brought to his attention the condition of the bank and the services of the bank, and that was the thing to be discussed; and, of course, he got nowhere with that sort of logical argument. As I say, these Messrs. Bolling held these two positions.

Mr. Poole, as president of the Federal National Bank, shortly after his talk with Mr. Williams, was informed by officials of the Phoenix National Bank, in New York, that if the Federal Bank would carry \$100,000 of deposits for its own account with the Phoenix National Bank the officers of Phoenix National Bank felt quite confident they could assure the Federal a deposit of \$500,000 of the Emergency Fleet Corporation's funds. Think of that. Within a few days after John Skelton Williams had refused to give a deposit to that bank came this offer that if we would deposit \$100,000 in the Phoenix National Bank, of which a Mr. Bolling was vice president, we would get \$500,000 of the Emergency Fleet Corporation's deposits.

Mr. Poole did just exactly what you would expect a man of his caliber to do. He went to John Skelton Williams and he told Mr. Williams that after Mr. Williams said because of my membership on the directorate they could not get this deposit, he had received this proposition whereby, in consideration of our making a deposit of \$100,000, we would get the Government deposit. And within a

very few days, I think within 24 hours, but I will not be sure of that, after that fact was made known to Mr. Williams the Federal National Bank received a very large deposit from the Emergency Fleet Corporation, with the request from an employee of the Emergency Fleet Corporation that the Phoenix National Bank's offer be not thereafter referred to; that it, of course, was an offer that it was not necessary to report to the comptroller; it was a matter of no importance, should not have been made, and we would not have to deposit \$100,000 in Mr. Bolling's bank in New York. And we got the Emergency Fleet Corporation's deposit when John Poole looked that man [indicating Comptroller Williams] squarely in the eye and told him the proposition that had been made.

Now, gentlemen, having thus visited his wrath on Ailes's and Flathers's bank, having sought to destroy the bank and destroy the men, having done what I have shown you he tried to do to George Hill, having endeavored to circulate besmirching literature regarding Senator Weeks, having taken the same action with regard to the little savings bank that Wade Cooper happened to be head of, and having, as Mr. Poole will tell you, out of his personal malice and out of nothing else discriminated against and been guilty of the conduct I have narrated with respect to the Federal National Bank in order to vent his malicious disposition toward Frank J. Hogan, who had been attorney for the Riggs Bank, John Skelton Williams comes before you and says that throughout his administration as comptroller he has been actuated by a high and lofty ideal to enforce the law, observe the regulations, and to be impartial in all things, and he asks men who have been so conspicuous for their intellectual ability in the communities that they represent that they have been chosen by the people to the high station of United States Senator to embalm their intelligences in chloroform long enough to believe that statement.

(The affidavit of W. Morris Hammond, referred to by Mr. Hogan, is as follows:)

The CHAIRMAN. Mr. Darlington, we will hear you now.

Comptroller WILLIAMS. Mr. Chairman, before the next witness comes on, may I make one brief statement in connection with the gross and malicious distortion of facts by the last witness? I denounce it as utterly untrue.

The CHAIRMAN. You will have an opportunity to reply. I have no objection, if the committee has none, to your making a statement. But it is for the committee to say. Of course, the orderly procedure would be to go on with those who are opposed to this nomination and complete their testimony.

Senator HENDERSON. I have no objection. Of course, Mr. Williams will be granted full time to make any reply that he has to make.

The CHAIRMAN. Certainly. When the time to reply comes he will have ample opportunity.

Senator KEYES. With that understanding, I think we had better proceed in the regular way.

Senator HENDERSON. The testimony of Mr. Hogan will be supplied to Mr. Williams.

The CHAIRMAN. I think we will save time by conducting the hearing in the usual course.

STATEMENT OF MR. J. J. DARLINGTON, OF WASHINGTON, D. C.

The CHAIRMAN. Mr. Darlington, you have heard Mr. Hogan's testimony?

Mr. DARLINGTON. Yes, sir.

The CHAIRMAN. In so far as your testimony would be cumulative, you may indicate that, and that will save the time of the committee. The committee would like to hear any incidents that Mr. Hogan has not called to the attention of the committee in relation to this matter.

Senator HENDERSON. Mr. Chairman, I suggest that the witness give his full name and his business connections.

Mr. DARLINGTON. My name is Joseph J. Darlington. I am a member of the bar, and have been for some forty-odd years.

Senator HENDERSON. In Washington?

Mr. DARLINGTON. In Washington; yes, sir. I had no connection with the equity suit. I was Mr. Glover's personal counsel in the criminal proceedings. I am not a criminal lawyer, and never tried a criminal case, but I advised in that case.

My only transactions with Mr. Williams were in connection with the effort to have the charter of the Riggs Bank extended. I want to say that I was treated throughout that matter with courtesy by Mr. Williams and Mr. McAdoo. I have no personal grievance or animosity. I have not talked with the Riggs National Bank about their troubles since shortly after they were settled in 1916, except after receiving the request of the chairman to be here, I went to the cashier and had him show me some records to refresh my recollection.

My first interview with Mr. Williams was the 25th of March, 1916. Mr. L. E. Jeffries, a director of the Riggs National Bank, also one of the general counsel for the Southern Railway Co., informed me that a very prominent public official, whose name I will give if I have to, but which I would rather not give, had agreed to act as a mediator between the bank and the comptroller, a Cabinet officer, to see if they could adjust their differences. He, Mr. Jeffries, believed that this gentleman would be able to secure the dismissal of the criminal charges, and asked me to accompany him to this gentleman's office, and I did so.

When I reached the office I was shown into the anteroom. I might just as well state the name. It was Mr. Burleson. I was informed that the Postmaster General and Mr. Williams were in conference, and if I would wait a few moments he would see me. At the end of some 10 or 15 minutes Mr. Jeffries and myself were invited into the inner office of the Postmaster General, and found Mr. Williams there. Mr. Jeffries made an appeal to the Postmaster General that a man of Mr. Glover's standing and career ought not to be subjected to the humiliation of standing in the criminal dock in a case that everybody knew had no merit in it, and addressed him rather earnestly on that subject. He was told that the Attorney General held the theory that every indictment should be tried by a jury, and would not interfere.

I then said to Mr. Burleson that the only thing I was concerned in was an early trial, that the comptroller had been quoted in the newspapers, without denial, with having said that he would renew the charter of the Riggs National Bank provided its officers were men of good character, and they were then under indictment. The

Postmaster General called up the Attorney General while I was there over the phone and said to me, with a smile, "The Attorney General says that men under indictment for crime will have no difficulty in getting trials if they want them." I then told him that I had record evidence that we had been for months endeavoring to secure an early trial through the district attorney's office, and had failed, and I again said that the only thing I desired was his good offices in getting an early trial, if he could help us about it.

He then took up the matter of the charter, which had not been mentioned by either Mr. Jeffries or myself, and he said that he would be glad to render his good offices in securing the charter, and he was about to make a suggestion to me as the counsel for Mr. Glover, the president, not to be considered as a proposition from the comptroller or from himself—this was Saturday—but that if I would bring him on Monday a written statement that the bank would accept the charter on certain conditions he outlined, he and the comptroller would then take the matter up and see if the charter could not be granted. I may not state those conditions in the order in which they were given, but they were, first, we should file in the equity suit a withdrawal of all charges of collusion or misconduct or conspiracy on the part of the comptroller or of the Secretary of the Treasury, and should add to this withdrawal the fact that the charges were without foundation.

Secondly, that the bank should forward a copy of this retraction to every bank, every banking official, and every other person to whom they had either sent copies of the charges or sent the substance of them.

Thirdly, that Messrs. Ailes, Flather, and Glover should resign from the directorate and from all official connection with the bank; that I would, within 48 hours, bring a written agreement to accept those terms, and then they would advise us what would be done.

I laid the matter before the board and the terms were unanimously rejected.

Senator HENDERSON. How long was it before the charter would expire?

Mr. DARLINGTON. This was March 25, and the charter expired June 27. The equity suit was then pending. Judge McCoy had not decided the preliminary motion.

The CHAIRMAN. Do I understand the indictment had been found when this proposition was made?

Mr. DARLINGTON. Oh, yes.

The CHAIRMAN. I understood from Mr. Hogan that the indictment had not been found at that time.

Mr. DARLINGTON. Mr. Hogan referred to the conversation between himself and Mr. Untermeyer.

The CHAIRMAN. That was it, was it? The indictment had been found?

Mr. DARLINGTON. Yes, sir.

The CHAIRMAN. Who was present in the bank at the time you had this consultation?

Mr. DARLINGTON. It occurred not at the bank, but at the Postmaster General's office. The persons present were the Postmaster, Mr. Williams, and Mr. L. E. Jeffries, and myself.

The CHAIRMAN. Mr. Williams was present?

Mr. DARLINGTON. Yes, sir.

The CHAIRMAN. And the Postmaster General said he made this proposition without authority from Mr. Williams?

Mr. DARLINGTON. Oh, yes.

The CHAIRMAN. And Mr. Williams was present?

Mr. DARLINGTON. Yes, sir. It was not to be regarded as a proposition either from himself or Mr. Williams, but if the bank would signify its willingness to accept these terms, then they would consider whether they would grant them or not. Mr. Williams took very little part in the conversation; he volunteered one or two remarks, and was interrupted by Mr. Burleson's statement that he was to be spokesman at the meeting, after which he had very little to say about it. On leaving the building, Mr. Williams and I walked down the street together. He said to me that he wanted to assure me that he had no hostility toward the bank, no desire to injure it; that if the bank would retire these objectionable officers and appoint men who were unobjectionable, he would issue a statement that the bank was solvent: confidence would be restored and the bank would go on in a prosperous condition.

The CHAIRMAN. He made that proposition personally to you, it seems?

Mr. DARLINGTON. That much of it. He said nothing about the dismissal of the suit.

The CHAIRMAN. That is a pretty large portion of it.

Mr. DARLINGTON. I said to him, "Mr. Williams, at the time this suit was filed and the public was first advised of your controversy with the bank, it had eight millions of dollars deposits. Now, in 11 months since that time it has twelve millions of dollars deposits. Do you think it needs anything to restore confidence on the part of your office?"

He said that he had his own ideas about the nature or character of that increase in deposits.

I want to say that to-day the bank has over \$25,000,000 of deposits.

That terminated anything like activity in the matter of the charter for the time being. The indictments were still pending, untried. That was followed by going into court with a motion and affidavits showing that we were being told that the charter would not be renewed while charges were resting against these gentlemen and that the charter would expire in June, and we finally had the court to set down the trial in May.

The trial lasted between two and three weeks, if I remember correctly—

Senator NEWBERRY. Mr. Darlington, may I interrupt you to ask you in what manner you conveyed to the Postmaster General or to Mr. Williams the decision of the board of directors in regard to the proposition? Was it in writing or in person, and if so, what was the conversation?

Mr. DARLINGTON. I wrote him a letter stating that the suggestion was declined, but that I had been directed by the directors to assure the Postmaster General that the bank appreciated his good offices in the matter. We thought they were simply good offices. Immediately after the acquittal of these gentlemen the formal application for the new charter was made, about the 22d or 23d of May, as I recall. We heard nothing from it except that the bank examiners came over to make examinations. We were informed that

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the comptroller held that he could not renew the charter without such an examination, although the bank had been in the hands of the comptroller and his officials daily for more than a year, and we thought he knew all about the bank.

Neither I nor, so far as I know, the officers of the bank had any further communication direct with Mr. Williams on the subject, but quite a number of public men, including a number of Senators, became interested in the matter and endeavored to see whether that charter could not be granted. I received notice early in June that through one of these instrumentalities an arrangement had been made with Mr. Untermeyer, counsel for the comptroller, that if I would go to see him in New York the matter might be arranged. One Senator very obligingly offered to go with me. He was going anyhow, and he offered to go with me to see Mr. Untermeyer, and we met Mr. Untermeyer in his office.

He said that the charter could be arranged on certain conditions. That was after the acquittal. One of the conditions was this same provision that the suit should be withdrawn and the charges of misconduct retracted. Secondly, that Mr. Ailes, who had not been indicted, and Mr. Flather, the vice president, should be retired; that in view of Mr. Glover's age and the position he had held in the community they were disposed to be rather lenient with him. He would not be required to withdraw absolutely from the bank. He could resign from the presidency on the score of his age and be made chairman of the board of directors with the understanding that he would also retire from that position within 12 months.

I told Mr. Untermeyer that those conditions could not be assented to for several reasons. Among others, I told him that Mr. Flather had already suffered to an extent through this prosecution which would render the board of directors and the stockholders unwilling to inflict any humiliation on him. His wife had been in a delicate state of health from the time the indictments were brought, and she died before they were tried, her death being brought about in large measure by the strain, and that not a man on that board would vote to humiliate Flather any further.

He said he was sorry. I then said to him, "Mr. Untermeyer, we have obtained a State charter in anticipation of the refusal of this charter. There are branches of business in which a State charter could be used. I think I can undertake to say that the board would be willing to make Mr. Flather president of the State Bank and to that extent comply with your wishes to withdraw him from the board."

He said that would not be satisfactory, and the retirement of these men was absolutely essential.

That matter ended there.

Mr. Cornell, if I remember the name correctly, a lawyer in West Virginia, had obtained the State charter for us. Some time after that he came to Washington. He was a candidate for the governorship on the Democratic side. He went to see Mr. McAdoo, so he told me, and told him that everywhere he went in his campaign he was met by this Riggs trouble: that unless the administration wanted him defeated, something must be done about that matter.

He reported to me, or to the bank, and I got it through the bank, that Mr. McAdoo would see me on a certain designated date.

I went to see Mr. McAdoo and we talked the matter over. He stated the comptroller's objection to these three men. I repeated to

him what I had said to Mr. Untermeyer, that by way of a compromise we might organize a State bank and put Mr. Flather there. He said that the Treasury Department would not tolerate any more national banks with ancillary State banks, but, on the contrary, as soon as they could get to it, they were going to abolish those that were established. They were going to abolish the charter of the City Bank of New York or require the utter dissolution of all relations between the bank and the National City company.

The meeting was ended with nothing very definite settled, except that I would go back in a couple of days and he would confer with the comptroller and let me know what could be done.

At the time designated, one or two days later, I came and found the Secretary and Mr. Burleson present. They had prepared two letters—I do not know who prepared them, but they had two letters—one to be signed by the officers of the bank and the other to be signed by the board of directors. They were very similar to the two letters found in the letter of Mr. Williams of June 21 accompanying the agreement about the charter, but containing much harsher, much more abject, groveling terms on the part of the men who were required to sign.

I said they could not be signed in that form; that I could not recommend their signing them; that there was not a man on the board who would sign them in the terms in which they were expressed.

Mr. Burleson asked me to designate those that I would submit. I am sorry I can not recall them, but if the papers and records have been preserved and are available, they will be found to contain, in my handwriting, the elision of certain clauses.

Mr. Burleson suggested to me that I was supersensitive; that these things were mere business matters, which involved no personal degradation or humiliation. When I would not yield he would turn to Mr. McAdoo and say, "It is not very important; let us strike this out." And the result was the two letters which now appear in the letter of Mr. Williams of June 21 to the bank. I suppose you gentlemen have those and know what they are. I have a copy of them—

Senator HENDERSON. It is on page 309, I think, in the record. The agreement of June 21 is signed by all the officers and directors of the Riggs National Bank.

Mr. DARLINGTON. Yes. I tried very hard to have the condition withdrawn that the equity suit should be dismissed. I said to Mr. McAdoo, "There is no desire to continue the existing hostilities with the comptroller." If we signed that letter and agreed to be bound by the powers claimed by the comptroller, we had no guaranty that the same excessive demands would not be repeated. I said further, "The comptroller's powers are purely judicial questions. They are not questions that ought to be, and ought not to be expected to be, settled by the executive department or by the comptroller; they ought to go to court and be settled"; that I could not comprehend how any public officer, the extent of whose powers under the statute was the subject of fair dispute, would do otherwise than welcome their determination by the courts, because, if the court sustained his powers, everybody would concede them; and if the court did not sustain them he should not desire to exercise them.

I was told that the comptroller was immovable on that proposition; that he would not grant a charter or extend a charter for any bank which was denying his powers and defying his authority.

Those letters were signed by the officers and board of directors after considerable discussion and much reluctance. I am afraid I am responsible for their signing them.

Senator HENDERSON. You did not do any more in one respect than you would have had to do, whether you signed them or not?

Mr. DARLINGTON. How is that, sir?

Senator HENDERSON. You would have to obey the law, whether you signed it or not.

Mr. DARLINGTON. Yes; but those letters required the bank to accept as a proper interpretation of the statute creating the comptroller's powers the powers which he claimed and which Judge McCoy had, obiter dicta, claimed he had in that interlocutory opinion of his.

I advised the board that I thought they ought to sign it, because the bank did not belong to them; that they were mere trustees of the stockholders; that the book value of the stock was \$300 and its market value between \$500 and \$600; and I thought it their duty to protect the interests of the stockholders, even at the expense of some sacrifice of their own feelings. And they did sign the letters.

I reported back to Mr. Williams. I never saw Mr. McAdoo or Mr. Burleson again in the matter. Mr. Williams then told me that he could not grant the application as it stood, for two reasons: First, the secretary of the meeting of the stockholders who certified to the resolution had not affixed a 10-cent internal revenue stamp to it. I said to him that that stamp, as we lawyers understood it, applied only to certification by public officers, clerks of courts, and notaries public, and not to a man who was called to act as secretary of a stockholders' meeting, and that, anyhow, we would waive the point and give him the stamp. He said the stamp was required and the stamp should accompany the certificate and not be affixed afterwards.

But, independently of that, there was another objection, that he had authority only to grant a 20-year extension, and the bank was asking for an extension of 20 years and a day; that the charter had been granted on the 27th day of December, 1896, to expire at the end of 20 years, and that 20 years would expire on the 26th of June. I referred to him the decision of the Supreme Court of the United States in certain cases holding that when time is reckoned from a date the date itself is excluded in the computation. He said to me that the ruling of his office since its organization had been to the contrary, and he could not depart from the rule.

I then told him that the people were scattered; it was summer time; it was very difficult to get a meeting again, and I asked him if he would not issue a charter from the 26th, and we would accept it. He said he could not act upon any application except the one before him; that it would have to be amended; but he did concede that he would proceed in the matter as though the amendments were made, the charter not to be granted until the amendments were made.

A meeting was held. Proxies were gotten; the men were telegraphed for to different parts of the country, and two revenue stamps were sent over, one stamp canceled by the clerk or secretary writing his initials and the date thereon, and the other uncanceled, because the bank did not know which form might be required and we had no time to make experiments.

Two days after the charter was granted both those stamps were returned to the bank by the deputy comptroller with the statement that they were not required.

The charter was issued. Mr. Williams asked me whether the suit had been dismissed. I said it had not been and could not be until the charter was granted. He said he would accept my assurance that it would be dismissed, and he asked me to send him a written statement when it was dismissed, and that was duly done. There was no understanding or anticipation on the part of the bank that the suit would not terminate with the granting of the charter.

I did not know until I was summoned to receive the comptroller's decision to extend the charter that it was to be accompanied by a statement arraigning the board and repeating all the charges that had ever been made against them. That letter, among other things, charges the bank with having made investments in stock. There never had been an investment made in stocks by the bank since its creation. There was just this ground for that, that when the partnership firm, the banking firm of Riggs & Co., took out a charter, they inherited from the old concern some stocks, and some of those stocks were of very slow liquidation; it took a long time to get rid of them.

That, gentlemen, I think, is about all that I know about this case.

Senator HENDERSON. Do you remember when the criminal indictments were found?

Mr. DARLINGTON. It was the last summer or early fall, as I recall, of the year 1915.

Senator HENDERSON. Had you been eager to get an early hearing of those indictments?

Mr. DARLINGTON. Yes, sir. We had a very lengthy written correspondence with the district attorney urging it, for months.

Senator HENDERSON. At the time that you, in connection with one of the directors of the Riggs National Bank, were at the office of the Postmaster General, those indictments were still pending, were they not?

Mr. DARLINGTON. Still pending and no date set for the trial.

Senator HENDERSON. No date had been set for the trials?

Mr. DARLINGTON. No, sir.

Senator HENDERSON. Your object was to get as early a trial of the indictment as possible?

Mr. DARLINGTON. Yes, sir.

Senator HENDERSON. What was the condition of the docket, if you know, in the criminal court before whom these indictments were to be tried?

Mr. DARLINGTON. Badly congested, as it always is.

Senator HENDERSON. Then it may have been due to the congestion of the docket that the trials had not occurred earlier?

Mr. DARLINGTON. That was the reason assigned by the district attorney. He said there were men in jail who had not been tried, who could not get bail.

We claimed no right to an early trial except on the ground that we were notified that the charter would not be extended while the indictments were pending, and we thought that made a special ground for consideration.

Senator HENDERSON. Because of the shortness of the time?

Mr. DARLINGTON. Yes, sir. The bank would have been wrecked.

The CHAIRMAN. How did you receive that notice that your charter would not be granted while the indictments were pending?

Mr. DARLINGTON. Only from newspaper statements said to have been made by the comptroller.

The CHAIRMAN. Quotations in the newspapers said to have been made by him?

Mr. DARLINGTON. Yes, sir; remarks attributed to the comptroller; and that was repeated in my conversation with Mr. Burleson in March and was not denied.

The CHAIRMAN. Do any other members of the committee wish to ask Mr. Darlington any questions? If not, that is all, Mr. Darlington.

Senator HENDERSON. Mr. Chairman, it is now 10 minutes to 12, and in view of other witnesses coming before the committee and that the testimony has to be written up and a copy given to Mr. Williams, and in view of the fact that many of the members of this committee are also in attendance on other committee hearings and are unavoidably detained, I move that we now take an adjournment, subject to the call of the chairman.

(The motion was agreed to; and, at 12.11 o'clock p. m., the committee adjourned, subject to the call of the chairman.)

In the Supreme Court of the District of Columbia. Equity No. 33360. The Riggs National Bank of Washington, D. C., v. John Skelton Williams, Comptroller of the Currency; William Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States.

DISTRICT OF COLUMBIA, ss:

W. Morris Lammond, being sworn, says:

I am now employed by the trustees of the bankrupt firm of Lewis Johnson & Co. as bookkeeper. I entered the employ of the firm about 20 years ago and remained continuously with the firm as bookkeeper during the last 15 years of that period, up to the time of its failure on November 16, 1914, since which time I have been in the employ of the trustees. During the two months, or thereabouts, that intervened between the failure of the firm and the appointment of the trustees I was one of the receivers of the firm.

I am and have been from the beginning familiar with the stock and bond transaction between the firm and the Riggs National Bank which appear upon the accounts in the books of Lewis Johnson & Co. This account was opened January 3, 1905. It was closed on October 7, 1913. There are about 164 pages containing these accounts of purchases and sales for the Riggs National Bank in its name, each page showing on the debit and credit side approximately 20 transactions, more or less, on each side of the account, on the form of yellow sheet which will be found referred to in the affidavit of Bennett heretofore filed. I began the keeping of the stock ledgers only in November, 1908, from which time I kept and had charge of them continuously up to the failure.

During that period there were many thousands of purchases and sales of stocks and bonds by the firm of Lewis Johnson & Co. for the account of the Riggs National Bank, including all manner of mining and other speculative stocks, some at less than \$1 per share, purchased and sold for the account of the Riggs National Bank, all of which were entered from day to day in the books of the firm and charged or credited upon this account with the bank. I am very familiar with the manner in which the business was done, which was as follows:

The orders for the purchase or sale of stock would come day by day, and frequently many times during the day, by telephone, from the Riggs National Bank to the office of Lewis Johnson & Co. The order would be taken down over the telephone from the Riggs National Bank by Mr. Pitt Cooke, who came with the firm in 1908 and remained until the time of his death, about January, 1914. The order thus taken would be inscribed upon a slip, a sample copy of which I hereto attach marked "A" as part of this affidavit, as an illustration of the way in which these orders were always taken for sales. The handwriting on the original slip is that of Mr. Cooke. The figure "11.20 a." on the right hand side represents the time of the execution of the order. These figures were placed there by the telegraph operator. The stamp on the original (which is written in handwriting on Exhibit A hereto attached), "Jan. 9,

1913," represents the date of the execution of the order and was put there in the ordinary course of business by the telegraph operator.

All the slips representing those orders taken down by Mr. Cooke are on file with the trustees in bankruptcy.

Immediately upon the execution of this order, and as to each order of purchase or sale for or on account of the Riggs National Bank, a memorandum would be sent to the Riggs National Bank either by bearer or by mail. Accompanying, marked "B" and made a part of this affidavit, is a copy of the printed form in which the notice of the execution of the order was sent on the day on which it was executed.

We have in the office of Lewis Johnson & Co. a letter press copy book containing copies of all the notices thus sent to the Riggs National Bank addressed to the Riggs National Bank as the purchaser or seller of the particular securities in question.

Taking the transaction evidenced by Exhibits A and B, hereto attached, which is an illustration of the way in which all the sales of stocks were made for the Riggs National Bank, accompanying, marked "C" and made a part hereof, is a copy of the check paid to the Riggs National Bank upon such a sale, except that the original check contains perforations made by the perforating stamp at the Riggs National Bank at the time when the check was paid. The letters "P. T." on Exhibit C signify "paying teller," and constitute the stamp that was put by him upon the check at the time it was paid. I attach hereto, marked "D," "D-1," and "D-2," "E," "E-1," and "E-2," copies of the sales slips, reports of sales to the bank and checks for the proceeds of sales, respectively, on two other transactions of a similar character. The thousands of other sales on the part of the bank represented in the account were conducted in the same way.

When purchases were made for the bank they were recorded in the same way by Mr. Cooke on like slips, except that the word "buy" was used instead of the word "sell," the purchase slips being in blue, while the sold slips were in red. In like manner, on making a purchase, the notice or letter of notification, of which a copy is hereto attached, marked "F," would be transmitted to the Riggs National Bank, made out in its name. As illustrating such transaction, I have selected at random a purchase of 21 General Electric on January 11, 1913, as shown on the accompanying copy of "buy" slip. I have no form of "buy" slip, and have, therefore, used a "sell" slip, which is identical in form, except that I have crossed out the word "sell" and substituted the word "buy" and except that the "buy" slips are in blue. The aforesaid copy of "buy" slip is attached hereto, marked "Exhibit G," and made a part hereof.

A bill would be made out by the firm for the amount of the purchase, the amount of which would be credited to the account of Lewis Johnson & Co. on the books of the Riggs National Bank, and the amount thereof then or thereafter entered as a credit to Lewis Johnson & Co. in the pass book between that firm and the Riggs National Bank.

There were many occasions on which the Riggs National Bank would give an order to buy a given number of shares of a certain security and to sell the same number of shares the same day. On such occasions the bill would be rendered to the bank showing the purchase and sale and a check for the difference. In those instances the check would be made either payable to the order of the Riggs National Bank or of H. H. Flather when so instructed by the letter. I have a bundle of such checks in the office, all of which were paid. Accompanying, marked "H" and made a part hereof, is a sample copy of one such check, with the stamp on the back showing that it was paid to the Riggs National Bank.

Accompanying, marked "I" and made a part hereof, is a sample of one of such checks made out to Mr. H. H. Flather at his request, to his order, and paid to the Riggs National Bank, as shown by copy (in handwriting) of its payment stamp thereon.

The checks given by the firm to the Riggs National Bank on account of these transactions have the name of the Riggs National Bank filled in after the word "pay to the order of" impressed from a red-ink rubber stamp, which was kept in the office for that purpose.

The checks, vouchers, "bought" and "sold" orders, and "bought" and "sold" letters and notices representing the transactions covering these many years are all on file in the office of the trustee, as are also the pass books between Lewis Johnson & Co. and the Riggs National Bank containing the entries of credits to Lewis Johnson & Co. on account of stocks purchased by it upon the order and for the account of the Riggs National Bank.

Referring to the affidavit of Wesley M. Bennett, and as indicating the manner in which short selling of stocks was done in the account between the Riggs National Bank and the firm of Lewis Johnson & Co., I direct attention, by way of illustration, to the first transaction of short selling referred to in the affidavit of Mr. Bennett, which consisted of the sale of 200 shares of Union Pacific at \$167 per share on January 18, 1912, and a further 200 shares on January 22, 1912, 100 shares at 167½ and the other 100 shares at 169. These short sales were covered on January 29, 1912, in the form of two purchases of 200 shares each on that day, one at 166, the other at 165, showing a balance in favor of the Riggs National Bank on account of the transaction of \$742, a copy of the check for which, made to the order of H. H. Flather, is attached hereto, marked "J" and made a part hereof. The copy of the stamp of payment by the Riggs National Bank on the back, after the indorsement of H. H. Flather, shows the payment of the check representing the closing of that transaction on January 29, 1912.

The orders and credits for the sales of January 18 and January 22, 1912, were given in the name of the Riggs National Bank and were so entered in the account, as were the orders and debits for the purchase of January 29. All the sample transactions contained in the affidavit of Mr. Bennett are likewise evidenced on the books of the firm and by its vouchers.

On February 8, 1912, 100 shares of Union Pacific were sold for account of the bank at 164 and on February 12, 1912, 100 shares of Union Pacific were bought for account of the bank at 162½; copy of the "sell" slip and notices of confirmation of the sale to the Riggs National Bank are hereto attached marked, respectively, "K" and "L" and made a part hereof; and a copy of the purchase slip and notice of purchase to the Riggs National Bank for the purchase of February 12, 1912, are hereto attached marked, respectively, "M" and "N"; the check for the profit on this transaction was made to the order of H. H. Flather and amounted to \$98. A copy thereof, marked "O" is hereto attached and made a part hereof.

On February 15, 1912, 100 shares of Union Pacific were sold at 165½ for account of the Riggs National Bank; the copy of the "sell" slip and of the notice of sale to the Riggs National Bank are hereto part hereof; and on the same day 100 shares of Union Pacific were purchased at 164½, copy of the "purchase" slip being hereto attached, marked "R" and made a part hereof; the notice of the purchase to the Riggs National Bank is contained on the same notice which contains the notice of sale of the sale of 100 Union Pacific on February 15, 1912, being Exhibit Q, hereinbefore mentioned and attached hereto and made a part hereof. A dividend on 100 shares of Union Pacific, amounting to \$175, was received on February 14, 1912; and a check for the difference, viz, \$210, was issued to H. H. Flather, copy of which, marked "S," is attached hereto and made a part hereof.

On February 16, 1912, 100 shares of Union Pacific were sold at 165½, copy of the "sell" slip for which and of the notice to the Riggs National Bank are attached hereto, marked, respectively, "T" and "U" and made a part hereof; and on February 19, 1912, 100 shares of Union Pacific were purchased at 164½, copy of the "purchase" slip and of the notice to the Riggs National Bank are attached hereto, marked, respectively, "V" and "W" and made a part hereof; the check for the profit on this transaction was made to the order of H. H. Flather in the sum of \$23, and a copy thereof marked "X" is attached hereto, and made a part hereof.

In two of three cases above enumerated in which checks were made to the order of H. H. Flather at the request of the latter for short sales on account of the Riggs National Bank, confirmation notices of sales and of the covering purchases that were addressed and sent to the Riggs National Bank contained on the face of such notices the words, "Give to Mr. Cooke" or the words "Give notice to Mr. Cooke."

During part of this time and covering the period shown by the transcript of the accounts of H. H. Flather and W. J. Flather, referred to in and attached to the affidavit of Mr. Bennett, said accounts of H. H. Flather and W. J. Flather were carried separately upon the books of Lewis Johnson & Co.

W. MORRIS LAMMOND.

Sworn to before me this 20th day of May, 1915.

[SEAL.]

ARTHUR J. WAND,
Notary Public, District of Columbia.

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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



Sen. R. A. Smith BEFORE THE
**COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 3

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
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1919**

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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

MONDAY, JULY 14, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in the committee room, Senate Office Building, Senator George B. McLean presiding.

Present, Senators McLean (chairman), Page, Calder, Newberry, Keyes, Fletcher, Henderson, and Walsh.

Present, also, Hon. Louis T. McFadden, Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. John Poole, Mr. Wade H. Cooper, and others.

The CHAIRMAN. Mr. Poole, I presume you have had your attention called, through the newspapers, and in other ways, possibly, to the testimony given here at the last meeting of the committee, in which your name was used, and the committee will hear any statement you wish to make in regard to that subject.

STATEMENT OF MR. JOHN POOLE, PRESIDENT OF THE FEDERAL NATIONAL BANK, WASHINGTON, D. C.

Mr. POOLE: Senators, I have come at your written request "for the purpose of giving to the committee such information as I may have regarding the official conduct of John Skelton Williams, Comptroller of the Currency."

Mr. Hogan has said that the Federal National Bank, of which I am president, has been discriminated against by Mr. Williams in the matter of receiving certain deposits, and that this was due to the fact that he, Mr. Hogan, was one of our directors. Those statements are true, and I will explain briefly.

In the early days of November, 1917, I called on Mr. Williams at his office and told him that I had reason to believe that the United States Emergency Fleet Corporation was about ready to open an account with our bank, and knowing that it was customary to first have the Comptroller's check of approval, his office being in possession of reports of examinations which enabled him to readily determine the factor of safety, I asked him to O. K. our bank if and when presented.

Mr. Williams wanted to know who our directors were. I started to name them, whereupon he touched a button and directed one of his staff to get a copy of the last report of the Federal National Bank. It was brought in, handed to him, and, as it happened, was folded in such manner that the name of "Frank J. Hogan" was in plain view. Immediately Mr. Williams read aloud Hogan's name, seemed to be

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much agitated, and with considerable feeling informed me that he would not give his approval to a bank whose directorate included anyone who was so manifestly antagonistic to the administration.

He proceeded to accuse Mr. Hogan of deliberately, willfully, knowingly, and maliciously attacking the administration and misrepresenting facts in the Riggs Bank controversy. He was exceedingly harsh and abusive in his criticism of Mr. Hogan, whom I have always known to be a man of unusual brilliance, the highest integrity, and unassailable character.

Mr. Williams was kind enough, however, to pay me a very high personal tribute and spoke in a most complimentary manner of the Federal National Bank, saying that our accounting methods, system, policies, and condition were frequently commented on in a very flattering way by the people of his department.

I naturally argued that his relations with Mr. Hogan, growing out of the Riggs case, should not influence him in his decision with regard to approving our bank as a depository for funds which others sought to place with us.

He made it plain to me that he had no relations with Mr. Hogan. It was evident that this was a very sore and delicate subject. I proceeded to urge favorable consideration of the proposal to approve the Federal when the list should be sent to him, on the ground that our institution merited it by its strict observance of all laws and regulations from the very beginning of its career—for its well-defined sound policies—its strength, growth, and present condition—but he positively refused because of the fact that Mr. Hogan was on our board.

A few days later (Nov. 7, 1917) we did receive a deposit of a little over \$71,000, and on November 10, 1917, another one of 536 and odd thousand, making a little over \$607,000. We having been designated by the Fleet Corporation, but not approved by the Comptroller of the Currency, other deposits of smaller sums followed during the next eight or nine weeks. This was without the approval, however, of Mr. Williams.

The CHAIRMAN. That was Fleet Corporation money?

Mr. POOLE. Yes. I have the exact title of that, if you would like to have it.

The CHAIRMAN. You might give it to the stenographer.

Senator NEWBERRY. May I interrupt to ask, if the comptroller is required to approve a depository as you say he did not in this case, by what authority and under what law such deposit was made?

Mr. POOLE. Senator, I do not know. I will show you, however, that the deposits were made, and we had them at the time of a subsequent call on my part upon Mr. Williams; and that we also got a very large deposit. I will show you in a few minutes, a little later on, and I will show you some interesting facts about that. But how it happens I do not know. I can not explain the operation of the Fleet Corporation, because I do not know that.

Senator FLETCHER. How do you know Mr. Williams did not approve of it?

Mr. POOLE. Mr. Williams told me that he did not, and he told me later, when I called on him, as I will show you, that he would not, again reviewing the Hogan case and our previous interview, at a time when we did have deposits. And I will also show you

that the largest deposit which came to us, came at a time and with a statement that a request had been made for the approval of it, and for me not to do anything further, and purposely the letter requesting that was antedated, for Fleet Corporation purposes. As to the modus operandi in the Fleet Corporation, and the requirement of the O. K. of Mr. Williams, I do not know anything at all.

Senator FLETCHER. Who had charge of the Fleet Corporation funds?

Mr. POOLE. I could not answer that positively.

Senator FLETCHER. Who actually transacted the business?

Mr. POOLE. The first business, through Mr. Solo, William L. Solo.

Senator FLETCHER. Who was he?

Mr. POOLE. I think he was more or less in the capacity of a disbursing officer. I do not know his exact title. I have known Mr. Solo ever since boyhood.

Senator CALDER. He is a Washington man?

Mr. POOLE. A Washington man, yes, sir. He used to be disbursing officer of the Department of Commerce and Labor under former Comptroller Lawrence O. Murray, who was then chief clerk, assistant secretary, or something.

Senator NEWBERRY. From your testimony, Mr. Poole, it would appear that the comptroller was a negligible factor as far as the Fleet Corporation was concerned in selecting a depository, that they could select any depository they chose.

Mr. POOLE. I take it that the Fleet Corporation was privileged to choose any bank that they wanted to, but as a matter of good business, as a matter of informing men who were without the direct information, they referred to the comptroller's office and asked the comptroller to say whether or not the statements of this bank indicated it was in good condition, because securities were not required of banks taking these deposits. I do not know that it was exacted of any one to first have the approval of Mr. Williams before a bank could be made a depository of the Fleet Corporation. That information ought to be available to you from somebody, however.

Senator CALDER. You were going to say—

Mr. POOLE. I was going to give the title of the account. The account is opened in the name of "Division of Operations, United States Shipping Board, Emergency Fleet Corporation."

After the account was opened a certain man—now, gentlemen, let me interrupt just to say here that I will not voluntarily give any names other than the name of Mr. Hogan or Mr. Williams, unless you especially request it of me. I dealt with Mr. Williams on that basis, and prefer so to deal with you. I am ready, however, now or at any other time, to give names throughout.

The CHAIRMAN. As I understand, it is Mr. Williams's desire that all names be given; is it not, Mr. Williams?

Mr. WILLIAMS. I request it.

The CHAIRMAN. I understood so.

Mr. POOLE. After the account was opened, William P. Ramsay, then—

Senator FLETCHER (interrupting). When did you say the account was opened?

Mr. POOLE. The first deposit was made November 6, 1917. After the account was opened, William P. Ramsay, who is connected with

the Commercial National Bank, and was then connected with them, on their pay rolls, called at the Federal National Bank to see me, unsolicited. The substance of his talk, briefly, was this, that the Fleet Corporation had large balances on hand and constantly increasing, which he wanted to keep in Washington if possible. The aggregate was too large for any local bank, therefore it must either be distributed with other banks, or be placed out of town. The latter he was striving energetically to avoid. He said he wanted to help the Federal get part, and proposed that we open an account with the Chatham-Phoenix National Bank, of New York, urging a generous deposit, with the positive assurance that if we would place at least \$100,000 there, we would receive in a few days not less than \$500,000 of Fleet Corporation funds. I did not tell him we already had an account of the Emergency Fleet Corporation. I did tell him I would think it over.

In a few days he returned and asked what I had done, and learning that no action had been taken, urged that the matter be attended to immediately.

Senator FLETCHER. This was about when, Mr. Poole?

Mr. POOLE. That was between the 7th and the 20th of November.

Senator CALDER. At that time what were your deposits from the Fleet Corporation?

Mr. POOLE. Ranging from \$71,000 up to four hundred thousand and odd.

Senator CALDER. You had received that additional deposit or larger deposit before Mr. Ramsay's call?

Mr. POOLE. Yes, before his call. I did not tell him anything about it.

The CHAIRMAN. I do not want to interrupt the continuity of your statement, but the committee wants to know some time what reasons Mr. Ramsay offered.

Mr. POOLE. I thought I stated that. I am trying to be brief, and probably you did not catch it.

The CHAIRMAN. I did not.

Mr. POOLE. I am going to give you that just as I gave it in the record before. The substance of his talk, briefly, was this, that the Fleet Corporation had large balances on hand and constantly increasing funds, which he, Ramsay, wanted to keep in Washington if possible. The aggregate was too large for any local bank to handle. Therefore, it must be either distributed with others in Washington, or be placed out of town. That is Ramsay's idea.

The CHAIRMAN. No, but the reason for depositing this \$100,000 in the Phoenix National Bank?

Mr. POOLE. I beg your pardon, I did not understand you.

The CHAIRMAN. That is the point. What is the name of that New York bank?

Mr. POOLE. Chatham-Phoenix National Bank. He said he wanted to help the Federal get part, and proposed that we open an account with the Chatham-Phoenix National Bank of New York, urging a generous deposit, with the positive assurance that if we would place at least \$100,000 there, we would receive in a few days not less than \$500,000 of Emergency Fleet Corporation funds. I did not tell Ramsay we already had an account. I did tell him I would think it over, think of it.

In order to keep your thought in sequence, shall I go from that point right on down again?

The CHAIRMAN. Yes. Sometime I want Ramsay's reasons for selecting the Chatham-Phoenix Bank.

Mr. POOLE. You would have to get them from Ramsay. I did not ask Ramsay. I think you may draw some conclusions out of this, just as I have.

The CHAIRMAN. I did not know but what he gave you the reasons.

Mr. POOLE. No, sir.

In a few days Ramsay returned, asked what I had done, and learning that no action had been taken, urged that the matter be attended to immediately. He also said that Mr. Bolling, vice president of the Chatham-Phoenix National Bank, of New York, would be in Washington in a few days, and he would have him stop in to see me—Ramsay would have Bolling stop in to see me. Sure enough, Bolling did call. I had known him for years, and so we spent a very pleasant half hour in general conversation.

Senator FLETCHER. Mr. Poole, without repeating the question each time, I wish you would give the dates, as near as you can.

Mr. POOLE. The date that Bolling called?

Senator FLETCHER. Yes; as you go along. You say in a few days so and so happened. As near as you can, give the date of his call, for instance, beginning there.

Mr. POOLE. Just about the middle of December, Mr. Bolling called.

Just before he left he broached the subject of an account for his bank. He said he would like to have us do business with him. I told him of our then connections, which were eminently satisfactory, and that we would not care to establish another New York connection, nor would we care to discontinue any of the present banks and substitute his.

In all fairness to Mr. Bolling, I want to say to the committee that Mr. Bolling made no proposition to me other than the same general character of a proposition as one banker goes to another with when he seeks his account. In no manner did he connect up the Emergency Fleet Corporation deposit, nor refer to it, in inviting us to open an account with him. That ended our interview, which, as I said before, was very pleasant.

I got to thinking over all that had transpired, realized the delicate situation, and decided to communicate what I had learned to Mr. Williams, the Comptroller of the Currency, and, therefore, on December 20, 1917, I called on him at his office and explained what had happened since my first interview with him. In substance, I said this:

"Mr. Williams, not long ago I called on you and asked that the Federal National Bank be approved by you as a depository for Emergency Fleet Corporation funds. You refused, and I remember well the reasons you gave for so doing. Since then a proposition has been made and repeated to me, whereby the Federal National could get a large deposit from the Fleet Corporation. I do not wish to give names unless you request them. A man whom I have known for years, who is connected with a local national bank, called at my office since I saw you last and talked with me at considerable length about Fleet Corporation funds. He said that tremendous sums were being handled, the amounts steadily increasing, and while his first

thought was to serve *his* bank, he realized that no one local bank could hope to handle the entire account, and that therefore it must either go out of town or be split up among several here. He proposed that the Federal National open an account of not less than \$100,000 with the Chatham-Phoenix National Bank, of New York, stating positively that in consideration of this the Federal would receive in a few days a deposit of at least \$500,000 from the Fleet Corporation."

I told Mr. Williams that I felt duty bound to let him know these facts, and I was astounded to learn that, notwithstanding the fact that he, Mr. Williams, so recently refused favorable consideration, our bank could get an account through the process of opening an account with the Chatham-Phoenix National Bank, of New York. All the while there had been no change in the status of Mr. Hogan. He was and still is a director of the Federal National Bank.

I also told Mr. Williams that an official of the Chatham-Phoenix National Bank, Mr. Bolling, had called to see me soliciting an account, and that the said official was told that we were not contemplating opening any bank account in New York City, nor did we feel justified in making any change. I told the Washington banker that we would not look with favor on the proposition of opening an account with the bank he mentioned in New York, nor with any other bank, for the purpose of getting an account from the Emergency Fleet Corporation.

Mr. Williams said he did not believe it possible that the Chatham-Phoenix National Bank could in any way control Fleet Corporation funds, and that he was sorry that I had not made a deposit there for the purpose of testing it out. He suggested that we then make a deposit for that purpose, and see what happened. He did not ask me the names of any of the parties with whom I had talked.

He stated that he had been requested to furnish a list of names of New York banks which he would approve as depositaries of Fleet Corporation funds, and in that list he included the name of the Chatham-Phoenix National Bank, which was the very bank covered in the proposition made to me by Mr. Ramsay.

I want that understood, that Mr. Bolling has in no way, in no manner, made any proposition to me, nor linked up the Fleet Corporation with any request for our account.

Mr. Williams told me that he did not know just what banks in Washington were depositaries of the Fleet Corporation, but he thought the Metropolitan was one. I then told him I was informed by the same party who submitted the proposition to me that the Metropolitan did open an account with the Chatham-Phoenix National Bank, with the understanding that they, the Metropolitan, would receive a large deposit from the Fleet Corporation, and that the transaction worked out exactly as agreed upon.

I also told Mr. Williams that I understood that several other banks in Washington were going to do likewise, which ones I did not know.

Mr. Williams referred to our previous conversation about having the Federal National approved as a depositary, and asked me if Mr. Hogan was a large stockholder, going on to say that he was unwilling to approve our bank because of the fact that there was on the board a man so decidedly unfriendly to the administration as Mr. Hogan had shown himself to be. I told him that I fully understood his

reasons, although I did not agree with him, and that that matter was not now a part of our discussion, except in so far as we failed to understand why our bank should be discriminated against by the comptroller, but could receive the very account we wanted (Fleet Corporation) by opening an account with the Chatham-Phoenix National Bank in New York.

Senator FLETCHER. How many banks were on that list Mr. Williams gave you?

Mr. POOLE. Mr. Williams did not give me the list. He only spoke of a list that had been handed to him. He only spoke of being asked to name some banks in New York, and he included the Chatham-Phoenix.

Senator FLETCHER. I understood you saw the list, and included in that list was the Chatham-Phoenix.

Mr. POOLE. No, sir; I did not say that, and I have not seen any list then or since that time.

Senator FLETCHER. How do you know that the Phoenix was included?

Mr. POOLE. Mr. Williams told me that he approved the Chatham-Phoenix National Bank.

Senator FLETCHER. As one of the list?

Mr. POOLE. Yes, sir; he volunteered that information. I had no idea that that had ever been submitted to him. That was the first information I had that they had an account.

He said he was certain that the Chatham-Phoenix National Bank, of New York, could not possibly control any part of the funds of the Fleet Corporation, and that he very much regretted that we had not tested it out.

This was December 20, 1917, and we had not up to that time been able to secure favorable action of Mr. Williams for the approval of the Federal as a depository for Fleet Corporation funds.

I said nothing further about this, except in the strictest confidence to one of our officers.

Senator NEWBERRY. May I interrupt to ask if you told the comptroller at that time that notwithstanding all these negotiations you had a deposit?

Mr. POOLE. I did not tell the comptroller. He had our reports and was able to get any information that he wanted.

Senator NEWBERRY. There had been a report, then, between the 7th of November and the 20th of December?

Mr. POOLE. I can tell you that in just a minute. I think not, but I can tell you.

Senator NEWBERRY. He does not get a daily report of your bank, does he?

Mr. POOLE. As it happened, there was a report on the 12th of November.

Senator NEWBERRY. After you had the Emergency Fleet Corporation funds?

Mr. POOLE. No; wait a minute. That is 1918. [After further examination.] No, there was no examination of our bank between the date of the opening of the account, November 6, 1917, and December 20, the last day that I interviewed Mr. Williams.

Senator NEWBERRY. What report would he have that would show that deposit?

Mr. POOLE. He would not have any report that would show it, unless the Fleet Corporation would give it to him, and presumably they did not. You did not understand me to say that Mr. Williams was in possession of this information, Senator, did you?

Senator NEWBERRY. I so understood. That was the reason I asked the question. I thought you said you did not tell him because he had reports that showed it.

Mr. POOLE. The information is available to him if he wants to get it in any way. He did not ask me if we had any such account, but insisted he would not approve our bank as a depository.

On Saturday, January 5, 1918, after our bank had closed—it closes at noon—Mr. R. W. Bolling, of the Emergency Fleet Corporation, called at the bank and deposited with our teller a check for \$2,641,566.93, too late to go in that day's work.

The CHAIRMAN. There were two Bollings, as I understand it?

Mr. POOLE. There are three Bollings that I know. One was with the Commercial Bank for some time in a sort of a new business, a publicity man. One was with the Emergency Fleet Corporation, and one then with the Chatham-Phoenix National, who is now the president of the Commercial National Bank.

Senator CALDER. Are these men brothers?

Mr. POOLE. I understand so; yes, sir. At that hour I was in my office talking with Mr. George O. Walson. I only mention the name because Mr. Williams has requested, and so have you, Senator McLean. After a while I went out and talked with Mr. Bolling, and was told of the deposit. I invited Mr. Bolling into the office, and had quite a long talk with him. He went on to tell me that practically every bank in Washington, and many outside institutions, were exerting every effort to get an account from the Fleet Corporation, and because of these activities he suggested that we keep the matter as confidential as possible.

Senator FLETCHER. In the meantime, had you made any deposit with the Chatham-Phoenix?

Mr. POOLE. No, sir; never before, and never since. We have never had any business with the Chatham-Phoenix of New York. I knew them, knew them very well and very favorably. I have nothing but the highest regard for the Chatham-Phoenix and all of its officers, including Mr. Bolling. Mr. Bolling said that Mr. Stevens, of the Fleet Corporation, called him in not long ago and asked how it happened that an account had been opened with the Federal National Bank without the customary approval of the Treasury Department. Mr. Bolling thought this had been given, but after searching the files could find no record covering it.

Mr. Bolling said that a formal request for the approval of the Federal had been made of the Treasury, and asked me not to do or say anything over there, because he was certain this approval would be forthcoming in a day or two.

The CHAIRMAN. What was the full name of this Mr. Bolling?

Mr. POOLE. R. W. Bolling.

Mr. KEYES. What is the full name of Mr. Stevens—Raymond B.?

Mr. POOLE. I do not know. I do not know Mr. Stevens.

Mr. KEYES. Was he vice president of the Shipping Corporation?

Senator FLETCHER. He is a member of the Shipping Board, is he not?

Mr. POOLE. I do not know. I did not look that up. I was interrupted in the middle of a sentence, I think. Mr. Bolling said a formal request for the approval of the Federal had been made of the Treasury, and asked me not to do or say anything over there, because he was certain this approval would be forthcoming in a day or two; of that he had no doubt. He mentioned that the letter requesting the approval of the bank was purposely antedated, and I assume that was done to meet certain formalities of the Fleet Corporation and to cover the original deposit.

He also went on to say that the Treasury Department was not aware of the fact that the second deposit above referred to "is being made to-day." He talked at some length about the organization of the Shipping Board and the Fleet Corporation. I may mention that the account which we have is an operating account—that is to say, an account which represents receipts from the leasing or renting of vessels which were taken over by this Government at the outbreak of the war.

After getting into general conversation, Mr. Bolling spoke of Ramsay, who is connected with the Commercial National Bank. He said, "Ramsay is a good fellow, and it was only out of the goodness of Ramsay's heart that Ramsay consented to help both the Federal and Rolfe E. Bolling," mentioning the name, that he called on me and made the proposition that he did; that is, that Ramsay called on me and made the proposition. Bolling said that Ramsay did this in a poor way, but that while he always means well, he frequently messes things up. Bolling asked that we do not at this time open an account with the Chatham-Phoenix National Bank. He would prefer that we would not do it, that it would not look right; if it was to be done at all, to be only at a time when we would want to do it, and that at least that should be at some future date.

He said that of the local banks, the Metropolitan, Commercial, Riggs, and Federal have accounts, the principal accounts, however, being in the Federal and the Commercial. He said that the Chatham-Phoenix of New York had an account, although it was small, and for the purpose of handling the collector's funds. I do not know what he means by collector's funds. Upon questioning him, he said he thought this account of ours would run fairly steady at \$3,000,000, not much under that, maybe considerably over, and that we would in all probability have use of the funds for a year at the lowest estimate.

Senator CALDER. Did he indicate which of these Washington banks had accounts with the Chatham-Phoenix?

Mr. POOLE. He did not. Mr. Ramsay is the only man who told me that.

Senator CALDER. What did Mr. Ramsay tell you about it?

Mr. POOLE. He told me that the Metropolitan had, and that they had received their deposit, and one or two other banks were going to do it. But I have never heard whether they did or not, and have never tried to check it up. Mr. Williams, as I stated, said that he did not know what banks were depositories, but that he thought that the Metropolitan was one. No one has said anything to me at all about this proposition of opening an account with the Chatham-Phoenix National in New York, and thereby getting a deposit from the Fleet Corporation, except Ramsay. Bolling only

spoke of it after I had been to Mr. Williams's office the second time, told Mr. Williams of this unusual proposition that had been submitted, and then Bolling told me of it after he had made the big deposit of two million six hundred and odd thousand, and suggested that I do not do this thing, that Ramsay was trying to help me and help Rolfe E. Bolling, his brother, but that it was very poorly stated, and a bad suggestion, and "do not do it."

I want to clear those other men, because they had no part in it at all.

Senator FLETCHER. Did you tell Bolling of Ramsay's talk at all?

Mr. POOLE. Mr. Bolling broached that subject to me. I did not tell him of this, or tell anybody else of it, except the vice president of our bank.

Senator FLETCHER. Were you to pay any interest on this deposit?

Mr. POOLE. Yes, sir; 2½ per cent on daily balances, no security.

Senator CALDER. What is your balance to-day with the Fleet Corporation?

Mr. POOLE. Nothing; all closed out. The last balance was taken out on May 15, 1918, \$17.50. Two million and odd was drawn out between March 4 and March 27, 1918.

Senator CALDER. Then this two million was with you for how long?

Mr. POOLE. We had an account starting up at \$71,000 November 6, 1917, reaching the big sum, three million and odd, on January 7, 1918, and continuing in the millions until March 12, 1918, the high point of which was \$3,139,672.14.

Senator CALDER. So you had this large deposit for a period of only about two months?

Mr. POOLE. Just a few days more than two months, more than a million dollars of it.

Senator NEWBERRY. Do you know why this account was closed out?

Mr. POOLE. I do not know why, but I understood that all of the local accounts were being closed out, and that these checks for \$500,000 were being drawn weekly against us. It was a pretty hard pull, I suppose, on most banks, at that time.

Senator FLETCHER. You mean the balances in all the other banks were withdrawn at the same time?

Mr. POOLE. I do not know that. I was told that they were going to be withdrawn, but I have not any means of knowing whether they were put in on the same basis we were. We may have had the better treatment; they may have had better treatment. I do not know.

Senator CALDER. You have no account at all with any branch of the Fleet Corporation or the Shipping Board?

Mr. POOLE. No, sir, not at all.

Senator CALDER. Do you know whether your bank ever received the approval of Mr. Williams?

Mr. POOLE. I do not know that. I have no reason to doubt but what it did receive the approval that Bolling told me on January 5, 1918, he would get. But I do not know that that ever happened.

Senator CALDER. Have you had any talk with Mr. Williams since?

Mr. POOLE. Never about this. Gentlemen, I have known Mr. Williams almost ever since he has been in the office, and Mr. Williams and I have had the most cordial and pleasant relations. I

have never had any man treat me with greater courtesy and respect than Mr. Williams has, and in many ways I have a very high admiration for him. I am only before you to-day at your request, unsolicited, and would much prefer not to have come. But being here, I only want to set before you the facts as I see them, that Mr. Williams did, because of Mr. Hogan being on our board, interfere with our getting business which in the regular channels was coming to us. I have a very high admiration for him.

Senator FLETCHER. The facts are that you did not get the business, and the facts are, according to your own information, that other banks were treated in the same way you were?

Mr. POOLE. I am telling you, however, that Mr. Williams positively, to me, refused to approve our bank for this business. Of that there is no doubt. We got the business, not because of Mr. Williams's willingness to approve us, but only because somebody apparently went beyond him and put it in there anyhow. I do not know whether there is any other connection between my visit to Mr. Williams and the propositions which were made by Ramsey which would be of benefit to the Chatham-Phoenix Bank, and if other banks should have followed, and we had, too, to open accounts in the Chatham-Phoenix National Bank, and bring funds here to be put out among local banks, naturally the bank of which Mr. Bolling was vice president then might, in that round about way, have benefited considerably. I do not know how anybody knew that Ramsay had said anything to me. You men may make your own guess about that. I told not a living soul, except the vice president of our bank, that Ramsay had ever made that proposition to me, and yet somebody found out, in the early days of November, and repeated it later on.

Senator HENDERSON. How long after that was it that you received the deposit?

Mr. POOLE. I talked with Mr. Williams on the 20th of December, 1917, for the second time, and I went over then because I had had this proposition made about opening the account, and told him then that I was surprised to find we could get an account by means of doing this thing, through opening an account in the Chatham-Phoenix, when he had positively refused to give us an account, or to approve our bank for an account, because of the fact that Mr. Hogan was on our board; and in that conversation that day he again told me he would not approve of our bank because Mr. Hogan was on the board. At the moment, at the time, we had an account, and had had one since the 7th day of November.

Senator PAGE: Can you tell us the total amount of deposits to the credit of this organization at the time you were having the larger deposits in your bank?

Mr. POOLE: No, sir, I do not know.

Senator PAGE: Is there any knowledge which we can ascertain as to the amount of the deposits in the Chatham-Phoenix, or any accounts there that would impinge upon this particular business?

Mr. POOLE: You can ascertain that through Mr. Williams. Mr. Williams can find out what banks opened an account in the Chatham-Phoenix Bank anywhere around that time—when they opened them, whether they had any prior relations with them or not; and then go back to the books of the other local banks and see if they got any

Emergency Fleet Corporation accounts about the same time. I could not give you that, but you could get it through him.

Senator PAGE: Are you able to give us an opinion of any value as to why this account with your bank was terminated at the time it was?

Mr. POOLE: No, I cannot tell you that. Perhaps you are driving at this: I do not think Mr. Williams or any other person was instrumental in taking it away from us because he wanted to get it away from us. I do not believe that. I think perhaps there was just too much pressure brought to bear on the Fleet Corporation for accounts from almost every angle—banks out of town, as well as local banks, trying to get these funds. I do not know whether that became too bothersome to them or not. I do not know where they keep their account. I do not know where they finally kept it after they left us. I do not know whether they took it out of the other banks, or whether some of them have those balances in larger or smaller part. I have no information about that.

Senator FLETCHER. I believe you said you were told that they were withdrawing these balances from the other banks at the same time?

Mr. POOLE. I was told they were going to withdraw them at the same time.

Senator FLETCHER. Do you remember the date of your first conversation with Mr. Williams?

Mr. POOLE. The date of it I did not put down. It was just before any account was opened with us.

Senator FLETCHER. Before the first deposit?

Mr. POOLE. Before the first deposit.

The CHAIRMAN. Mr. Poole, Mr. Hogan made a statement with regard to Red Cross funds and tax funds.

Mr. POOLE. Yes, sir. I understand that Mr. Hogan told your committee something about the Red Cross account with us.

Briefly, the facts are as follows: In the early part of January, 1918, after I had been appointed by Henry White, then the manager of the Potomac division of the American Red Cross, as chairman of the second war fund campaign for the same division, I was approached by a Mr. Andrus—J. T. Andres, I think is his full name—who was associated with Mr. White at that time. Mr. Andrus told me that instructions had been received from national headquarters of the American Red Cross to select a bank which they would use for the funds which were to be subject to the check of national headquarters. I was informed by Mr. Andrus that both he and Mr. White desired to place the money with the Federal, whereupon I was furnished with a copy of a letter dated January 17, 1918, addressed to Henry White, division manager, signed by Hugh S. Bird, assistant treasurer, the American Red Cross.

Negotiations followed, and on March 12, 1918, the account was opened, Mr. White sending to us in a communication dated March 11, 1918, a check for \$389,518.11, with all instructions as to how to open the account.

Under date of March 13, 1918, Mr. Bird, assistant treasurer of the American Red Cross, addressed a letter to Mr. White informing him that the funds would be immediately withdrawn from us and trans-

ferred to the trust company from which they came, there being another account in our bank—the account of the T. I. and F. Division, at that time.

Mr. Bird laid special emphasis on the fact that he wanted the various accounts of the Red Cross distributed in the different banks, so as to broaden the influence of the Red Cross.

On the date in question our bank, the Federal National, had exactly \$575.18 to the credit of the Red Cross, the T. I. and F. Division. I want to bring that out simply because of the fact that we had a Red Cross account was the reason given for taking this account away from us, and putting it back where they had ordered it to be taken from.

The check was drawn on the 13th of March, the day immediately following the day it was deposited with us, and after going through the various channels of depositing in the American Security & Trust Co., and clearing, it reached us and was paid March 15, 1918, exactly three days after we had received it.

In the letter of January 17, 1918, from Mr. Bird to Mr. White, he recites a good many things. He tells of the things that the Red Cross wants from the bank, for instance, like a statement of the last call, a roster of officers, and a lot of deposit slips and signature cards, and goes on to say (this is a letter from Mr. Bird to Mr. White):

Of course you understand the National Treasurer, Mr. John Skelton Williams, has the selection of our depositories, but I wish to get the wishes of the local manager in each and every case.

That is a part of the sentence only. The balance of it is not important. This letter, which is dated January 17, 1918, begins by saying:

DEAR MR. WHITE: Following up my letter of December 27—

presumably 1917—

asking that you tell us what bank you will use for the funds which are to be subject to check of headquarters, will you kindly have the bank chosen, and send me the following for our files:

This money that we got was in the American Security & Trust Co. Mr. Bird was following it up from his office, prodding Mr. White along to make the selection of a bank, and I gather from that that the funds were not to be retained in the American Security & Trust Co., but were to be transferred to some other bank. Mr. White, later, on February 12, furnished me with a certified copy of a resolution passed at the executive committee meeting of the American National Red Cross on January 25, showing what officers were authorized to sign and countersign, and referred to signature cards, which is unimportant here. That I immediately acknowledged to Mr. White.

Under date of March 11, Mr. White sent me, as I told you in the beginning, this check, addressed to me as president of the bank, "with the request that you be so good as to cause the amount in question to be placed to the credit of an account, which I hereby ask you to open, in the name of the 'American National Red Cross.'"

And then he tells how they shall be checked against, simply repeating former things.

I acknowledged it to him, and I would like to put this in the record. It is a letter under date of March 13, 1918:

MARCH 13, 1918.

HON. HENRY WHITE,
Manager, Potomac Division, American Red Cross,
Washington, D. C.

MY DEAR MR. WHITE: Mr. Andrus called yesterday afternoon with your letter of the 11th instant, bringing a check for \$389,518.11, referred to therein, and opened an account in the name of the "American National Red Cross."

We note by your letter that checks drawn against this account are to be honored only when signed by Red Cross officials, whose signatures we will obtain from headquarters.

Your favor in selecting our bank is very greatly appreciated, the more so because the account comes to us unsolicited.

With assurance of my highest personal regards, and best wishes, we remain,
Faithfully, yours,

I wanted that understood, that at no time did I solicit the account from the American Red Cross, nor would I have done it, being one of its officers, a member of its finance committee, and chairman of its second Red Cross war fund of the Potomac Division.

Going on to the next day, March 13, 1918, in this letter from Mr. Hugh S. Bird, assistant treasurer of the Red Cross, to Mr. White, chairman of the Potomac Division—

Senator CALDER. Pardon me. Who is Mr. Bird?

Mr. POOLE. He is assistant treasurer of the American Red Cross.

Senator CALDER. A Washington man?

Mr. POOLE. I could not tell you that. I think not.

Senator CALDER. Where does he come from?

Mr. POOLE. He is related to Mr. Williams, I am told. Mr. Williams can tell you. (Addressing Mr. Williams:) He is not?

Senator CALDER. He had been associated with Mr. Williams in business, you understand?

Mr. POOLE. No. I was told that he was related to him in some way. But I do not know anything about the accuracy of that. I only know Mr. Bird slightly. In this letter from Mr. Bird, the assistant treasurer, to Mr. White, the manager of the Potomac Division, he says:

MARCH 13, 1918.

HON. HENRY WHITE,
Manager Potomac Division, American Red Cross,
Washington, D. C.

MY DEAR MR. WHITE: Yours of the 11th instant received, and we note that you have transferred the account which is subject to our check to the Federal National Bank. We are at a loss to understand how Mr. Andrus so completely misunderstood our wishes in regard to the matter. One of our divisions, the territorial, already has its account in the Federal National—

And I call your attention to the fact that the balance that day was \$575.18—

And we wish the Potomac Division funds kept in the American Security & Trust Co., to which bank we will immediately transfer the \$389,518.11.

That is where they came from; and yet, under date of January 17, he was prodding them along to know why they did not select some bank.

We inclose herewith signature cards for Federal National Bank.

We would appreciate hereafter deposits made to be subject to our check, to be placed in the American Security & Trust Co., to the credit of the American National Red Cross.

I am taking the liberty of inclosing herewith carbon copy of our letter to your Mr. Andrus dated January 8, with special reference to the second paragraph of that letter.
Very truly yours,

HUGH S. BIRD,
Assistant Treasurer, American Red Cross.

The copy of the letter I have not got, and I come into possession of this copy, as you will see, by its being inclosed to me in a letter dated March 14, 1918, from Henry White, manager of the Potomac Division, who says:

MARCH 14, 1918.

Mr. JOHN POOLE,
*President Federal National Bank,
Fourteenth and G Streets, City.*

DEAR Mr. POOLE: I am in receipt of your letter of yesterday, for which I thank you, and I inclose herewith the copy of a letter which I have just received from the assistant treasurer of the American Red Cross, with the signature cards therein referred to.

You will observe therefrom that my transfer of funds from the American Security & Trust Co. to your bank was the result of a misunderstanding between Mr. Andrus director of the bureau of accounting of this division and national headquarters.

I much regret to have given you the trouble of opening the account in question, only to have it transferred back again to the American Security & Trust Co. Unfortunately, I acted upon a verbal statement from Mr. Andrus instead of writing—as I should have done—to Mr. Bird, the assistant treasurer, for his instructions in the matter.

Very sincerely, yours,

HENRY WHITE, *Manager Potomac Division.*

The point about this is that in the earlier letter he says Mr. Williams has the selection of these depositories, and prods Mr. White along to select the bank. Mr. White tells you in his letter of the later date that he had transferred it from the American Security & Trust Co. to us, and we see by these other letters of Mr. White to Mr. Bird that the funds were immediately withdrawn from our bank and placed in the American Security & Trust Co. I was told—and I can not prove it at all—that they had received instructions to transfer those funds to another bank, and they did not want to transfer them to the other bank, and they simply came and deposited them with us. After having been instructed to select a bank, they selected a bank and gave it to us unsolicited. That is all the information I have.

Senator NEWBERRY. Did you let the matter of the Red Cross deposits drop there?

Mr. POOLE. I did not. I went over to see Mr. Harvey D. Gibson, who is president of the Liberty National Bank in New York, a man with whom I am well acquainted, and a bank with which we have a great deal of business. I talked with Mr. Samuel M. Grier, formerly with the Chesapeake & Potomac Telephone Co. of Maryland, a company on whose board I am a member. Mr. Grier has since been made vice president of the Bankers' Trust Co. of New York. I told them there was something very strange about this that I could not understand, and I asked them, as friends, if they would not try to find out for me just what the real situation was. A business which was seeking its way into our bank was being diverted from it by some outside influence. There is no good reason that is given there for taking that deposit away from us. We did not seek it; it sought us. But somebody determined that it should be taken away from us, and it went, and naturally I would follow it up. I did not get any satis-

faction at all from either one of those men. I could not learn from either one of them why that account was taken away from us. If they learned they never communicated it to me.

Senator CALDER. And you do not know even to this day?

Mr. POOLE. I do not know to this day. I draw this conclusion, that the statements being before me that Mr. Williams has the selection of these depositories, and Mr. Williams telling me twice, when I sought the approval of our bank for another fund, that he would not approve it while Mr. Hogan was on our board, that Mr. Williams had something to do with the funds being taken away from our bank. I do not accuse him of that, but I do say that it seems to me that is perfectly possible to have been the case. I know we had them, and I know we lost them.

The CHAIRMAN. Have you any doubt in your mind as to the cause of the removal of this fund?

Mr. POOLE. I do not know why the funds were removed. Yes: I have a doubt in my mind about it. That is the best guess I have. Naturally, I have a doubt until I am certain about it, because I have no means of knowing. But I do not think that is a bad guess, when Mr. Williams tells me positively, emphatically, to my own face, that he would not approve our bank for funds that he has anything to do with.

The CHAIRMAN. There was something said about distribution of tax funds to the local banks.

Mr. POOLE. I do not know what Mr. Hogan said in regard to that; but I am very familiar with it, and I will try to answer any question you want. Perhaps I can help you in that. It has been customary in this District for many years for the Treasury Department to deposit with the national banks of the town several millions of dollars.

For a long time there was about three millions—the last few years it has been four millions—distributed among national banks on the basis of their deposits, as found in the comptroller's reports. There is so much money paid in here in one month to the collector of taxes that it would be a terrific drain on the banks to pay that all out in cash and put it right into the Treasury. So the Treasury, with a view to relieving the situation somewhat, redeposits with the national banks perhaps 50 to 60 per cent of this total sum, for which they get 2 per cent interest and the usual security. It is deposited returnable on demand, but it is usually returnable the first payment about two months after deposit, and then monthly thereafter the middle of each month until January or February. This year the deposit is being withdrawn 50 per cent July 15 and 50 per cent the 13th, 14th, or 15th of August; I forget the exact date, depending on whether Sunday comes in there.

I rather imagine that the thing you have in your mind had to do with the deposit of the tax funds in all national banks. This year all national banks in Washington participate in those funds on a perfectly equitable basis.

The CHAIRMAN. Do you mean since the incumbency of Secretary Glass?

Mr. POOLE. Yes. For several years back, I do not know how many, but I could find out, or you can find out, the calculations were made to find out how much each national bank would get out of a certain sum of money, we will say four millions, and then deposits were made

in all of those national banks except the Riggs. I do not know whether that is what you are after or not.

Senator FLETCHER. Has the Federal always had its full share?

Mr. POOLE. We have always had our full proportionate share; yes, sir. Personally, I have always felt that the Riggs ought to have had their share. I have nothing to do with that, but I am just expressing an individual thought.

The CHAIRMAN. Mr. Hogan testified with regard to the examinations of the banks that the examinations are required by law twice every year. I think he stated that about the time this controversy was on with the Riggs Bank the examiners were so busy ascertaining the condition of that bank that they did not examine the other national banks in Washington. Have you any knowledge of that?

Mr. POOLE. I only have knowledge of the times that they examined our bank. I do not know about the examinations of other banks.

The CHAIRMAN. Was there any time in which they failed to examine your bank twice a year?

Mr. POOLE. Yes; and of that condition we have no complaint to make at all. But it is true that we were not examined twice regularly yearly.

The CHAIRMAN. That is all.

Senator FLETCHER. What time was that?

Mr. POOLE. We had one examination in 1913. We had one examination in 1914. We had one examination in 1915. We had one examination in 1917.

The CHAIRMAN. None in 1916?

Mr. POOLE. Two in 1916, two in 1918, and only one so far this year, but that was natural. This is only the first half. We caught that in the first half.

The CHAIRMAN. Do any other members of the committee wish to ask Mr. Poole any questions? If not, Mr. Poole, I think that is all.

Senator FLETCHER. Do you know, Mr. Poole, whether these Emergency Fleet Corporation funds about the time they were withdrawn from your bank were actually deposited after that in the Treasury of the United States?

Mr. POOLE. I do not know that.

Senator FLETCHER. I have the impression that they were withdrawn from banks and put into the Treasury about that time. I did not know whether you knew of that or not.

Mr. POOLE. Is that all, Senator?

The CHAIRMAN. Yes, Mr. Poole.

(The witness was thereupon excused.)

The CHAIRMAN. Mr. Jones, of Philadelphia, is not here at this time. I did not request him to appear this morning, because I was under the impression that Mr. Poole would take the morning, and that the committee would then want to adjourn and attend the meeting of the Senate. He was here two or three days last week, but did not have an opportunity to testify, and I thought that when we asked him to appear again we ought to fix the day when he certainly could be heard. There are no other witnesses here this morning. I understand that Congressman McFadden is present, but that he is not prepared to go this morning.

Mr. McFADDEN. The reason for that is, Mr. Chairman, that if I do start in it would take some considerable time, and owing to the death of a relative, I am having to leave the city this afternoon, and I would prefer, if it is possible, to appear at a later date.

The CHAIRMAN. I know of no reason why Mr. Williams can not answer, if he is prepared now, the witnesses who have already testified, with the understanding that he shall have an opportunity to answer other witnesses as they are brought on. Are you ready to go on, Mr. Williams?

Mr. WILLIAMS. I am, sir.

The CHAIRMAN. All right. We may as well go ahead until 12 o'clock. You may proceed until 12 o'clock, Mr. Williams.

STATEMENT OF HON. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY.

Mr. WILLIAMS. Mr. Chairman, if it would be agreeable to the committee, I should like to take up the Cooper matter where we left off.

The CHAIRMAN. You may proceed in your own way, Mr. Williams, as far as the chairman of the committee is concerned.

Mr. WILLIAMS. Mr. Chairman and gentlemen, in beginning the statement which I am about to make, I venture to express the hope that I will not be interrupted unless some Senator desires to interrupt me and ask me some question, which then I should be very happy to answer, of course.

I shall now show you the falsity of Mr. Cooper's declaration to the committee that I had sent for the directors of the United States Savings Bank and Union Savings Bank and had endeavored to get them to call Mr. Cooper off in his opposition to my confirmation. I will submit to you letters from the only directors for whom I sent, Messrs. Milburn and Anderson, which shows that there was no ground for his charges, but that, on the contrary, I had informed them both that I would prefer Mr. Cooper's opposition to his support.

Here is a letter, first, from Mr. W. W. Anderson, Union Trust Building, Washington, D. C., July 8, 1919:

[W. W. Anderson, room 521, Union Trust Building, Washington, D. C.]

JULY 8, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: I beg to acknowledge the receipt from you of this date the following letter:

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, July 8, 1919.

Mr. W. W. ANDERSON, *Washington, D. C.*

DEAR SIR: The following extract is taken from pages 211 and 212 of the hearing before the Committee on Banking and Currency of the United States on February 17, 1919:

"Senator HITCHCOCK. You have said all you care to say concerning your conversation with Messrs. Lyon & Lyon and Mr. Milburn and other officers of the bank?

"Mr. WILLIAMS. Those were the only three officers of the Union Savings Bank that I had any conversation with. I think they were the only officers of the bank so far as I recall—I did not know any of them.

"Senator HITCHCOCK. Did you call in any of the officers or directors of the other bank?

"Mr. WILLIAMS. Then for the reasons set forth as to the Union Savings Bank and apprehending the effect it would have upon any other bank with which Wade Cooper

was connected, who was doing the advertising in the Newark paper, and fearing that perhaps some other comments might be published in other papers, I looked through the list of stockholders of the United States Savings Bank and saw that Mr. Anderson, whom I had never had the pleasure of knowing before, was the largest stockholder in that bank. I therefore had my office to arrange and request Mr. Anderson to call at the Comptroller's office. Mr. Anderson is in the room now.

"I went over substantially the same grounds with him which I had with Mr. Milburn, and also took pains to impress upon him the fact that it was a solemn duty I felt I owed to him as a director and stockholder of the bank to inform him of the activities of the president; that had it not been for the restraining hand of the comptroller's office, I felt sure the bank would have gotten in trouble long before this, but Mr. Cooper was apparently going ahead without the knowledge of his directors or shareholders in his propaganda, and I therefore thought, if Mr. Milburn was not informed, although a vice president of the bank, as to these activities of Mr. Cooper, that probably the directors of the United States Savings Bank were in the same condition. I thereupon had this conversation with Mr. Anderson and told him exactly what was being done.

"Senator HITCHCOCK. Did you ask either or any of these gentlemen to have Mr. Cooper drop this agitation?

"Mr. WILLIAMS. On the contrary, I asked them please to understand that I would prefer Mr. Cooper's opposition to his support. I do not see Mr. Milburn here, but Mr. Anderson is here, and I have no doubt he will corroborate that statement. I did not ask either of them to do it, but I felt it was simply an injustice to the bank to have the bank advertised in that dangerous way, on its letterheads, by letters signed by its president, as was being done in the letter to the Newark News.

"Senator HITCHCOCK. Did you make any suggestions as to what they should do?

"Mr. WILLIAMS. I did not. I said, 'I want to inform you gentlemen as to what is being done and the way your bank's paper is being used—these letters being sent out, letters containing obvious misstatements on their face—and I think you should know of it.' And I said to Mr. Anderson, as I said to Mr. Milburn, 'This is not for the purpose of having you, as far as I am concerned, to call Mr. Cooper off, or to have him cease his personal activities of any sort, but I want to protect the bank. I prefer his opposition to his support.'"

I will thank you to state whether or not my statement before the committee as quoted above, relating to the conversation which I had with you in February, 1919, when I requested you to call at the Comptroller's office and showed you the photostat copy of the letter which Mr. Wade H. Cooper had sent to the Newark Evening News is in accordance with the facts as you know them to be.

Very truly yours,

JNO. SKELTON WILLIAMS.

In accordance with my recollection the extract quoted by you from pages 211 and 212 of the hearing before the Banking and Currency Committee of the United States Senate February 17, 1919, is practically the gist of our conversation to which you refer.

Very truly yours,

W. W. ANDERSON.

The letter from Mr. Milburn is as follows:

[Milburn, Helster & Co., Architects, Washington, D. C.]

JULY 8, 1919.

HON. JOHN SKELTON WILLIAMS,

Treasury Department, Washington, D. C.

DEAR SIR: I am in receipt of your letter of the 5th instant and carefully noted the contents thereof.

I have not that here. I ask that you put in my letter of the 5th.

Senator HENDERSON: Is your letter of the 5th similar to the letter to Mr. Anderson?

Mr. WILLIAMS. Yes, sir, along the same lines. I called attention in that letter to the fact that I had sent for Mr. Milburn in February, that that was the only occasion when I had sent for him, and I had not seen him since or communicated with him in any way except on an occasion when he voluntarily came into my office with Messrs. Lyon, of counsel for the bank.

If my recollection of the interviews in question serves me correct, I am of the opinion that the statement contained in your letter as to what was said by you at these two interviews was substantially correct.

I can not recall you making any threats as to what you would do. If I remember the conversations above mentioned you severely criticised and roasted Mr. Cooper personally and his actions as a bank president, and further stated that he was not a fit person to be president of any bank and that you felt it your duty to do everything in your power to protect the banks under your supervision. As I now further recall it, you asked this question, "What would happen to the two banks in question if the public knew all the facts about Mr. Cooper and his methods?"

I do not consider that I was intimidated or terrified nor do I think either member of the firm of Lyon & Lyon were.

Yours, very truly,

FRANK P. MILBURN.

As I explained, on the occasion of Mr. Milburn's voluntary visit to my office a few days after his visit when I had sent for him, he was accompanied by Messrs. Lyon & Lyon. Here is a postscript to Mr. Milburn's letter:

HON. JOHN SKELTON WILLIAMS:

I have read your letter of July 5 addressed to Mr. Frank P. Milburn and the above reply, and according to my recollection I think the statements contained in said reply are correct.

R. B. F. LYON.

The CHAIRMAN. You sent for him in the first instance?

Mr. WILLIAMS. Mr. Milburn, yes, because he was the vice president of the bank whose name was on the letterheads on which Mr. Cooper's communications were being sent out, and in my letter I stated exactly why I sent for him. Mr. Chairman, at the last meeting at which Mr. Cooper testified, he made some statement about some other charges which he desired to make before an executive meeting, if made at all. If he has any charges that he desires to make, I ask that they be made in open meeting, or, if those charges have been communicated privately by him to any member of the committee, I hope that they will be brought out. Of course, if he had thought of making charges and has withdrawn them, I presume that would end it.

The CHAIRMAN. I know nothing about that, Mr. Williams. If he has any further charges to make, you will have an opportunity to request that they be made in the open, and I have no doubt that your request will be granted.

Mr. WILLIAMS. Mr. Chairman, I wish now to submit to the Committee, and ask that it be incorporated in the record, my circular statement of May, 1919, the first page of which was read, I believe, by Mr. Cooper, and perhaps a portion of the second page. But I ask that the entire circular be incorporated in the records of this meeting.

The CHAIRMAN. If you think it is important, Mr. Williams. But you can see the undesirability of stuffing this record with inconsequential matter. It is bound to be a large record in any event, and the government has to pay for printing it. If you think it is important I suppose it will have to go into the record. But I hope you will be careful about it.

Mr. WILLIAMS. I think it is important in view of the remarks which were made by Mr. Cooper in regard to it, and the portions of it which he read.

The CHAIRMAN. Very well.

Mr. WILLIAMS. I will also state that I will read the first page, as an answer, an explanation, of why I sent this memorandum out to certain parties to whom I thought this would be of interest or of value.

CHARACTER AND MOTIVES OF OPPOSITION BEFORE SENATE COMMITTEE TO CONFIRMATION OF THE COMPTROLLER OF THE CURRENCY.

The within memorandum has been prepared for those likely to be interested because a number of bankers have expressed a wish to know the facts of the matter involved, and there is reason to believe that misleading and false statements directed against this bureau have been disseminated by several of the persons referred to herein.

It is believed, further, to be in the interest of sound banking to present these facts. Our national banks have made a record for efficiency, growth, soundness, and prudent and honest management which is wonderful, and without precedent in the history of commerce in this country or any other.

Mr. COOPER (interrupting). Mr. Chairman, I do not like to interrupt—

The CHAIRMAN. Mr. Cooper, you must not interrupt.

Mr. COOPER. But I understand—

The CHAIRMAN. Mr. Cooper, you must not interrupt. Please take your seat.

Mr. COOPER. I will not interrupt if the chairman insists.

Mr. WILLIAMS. This continues:

When the vast majority of the nearly 8,000 national banks are so managed as to command the respect and confidence of the officials most intimately in touch with them, it is, in the opinion of the office of the Comptroller of the Currency, proper and in the interest of decent banking, and especially for the protection of the particular banks directly concerned, to present for pitiless publicity or the judgment of the banking community, transactions and methods so deserving of criticism and censure as those described within, and the motives of the men guilty of such transactions, who have been the source of malign attacks upon this office.

The CHAIRMAN. Pardon me for an interruption. Do you intend to read this letter which you have just requested to be printed in the record? That involves printing it twice you understand.

Mr. WILLIAMS. It was not printed in the previous testimony.

The CHAIRMAN. But you have just asked to have it printed as a whole. Now you are reading it to the stenographer. That involves printing it twice.

Mr. WILLIAMS. I do not want to have it printed twice.

The CHAIRMAN. Of course, all you read will be printed, and then your letter will be printed.

Mr. WILLIAMS. If I read it, I shall not ask to have it printed again.

The CHAIRMAN. There is no objection to your proceeding with that understanding.

Mr. WILLIAMS. It continues:

MEMORANDUM CONCERNING THE HEARINGS BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE UNITED STATES SENATE ON THE PRESIDENT'S NOMINATION OF JOHN SKELTON WILLIAMS FOR A SECOND TERM AS COMPTROLLER OF THE CURRENCY.

When the President sent to the United States Senate the nomination of John Skelton Williams to be Comptroller of the Currency for a second term, the nomination was referred, as usual, to the Banking and Currency Committee for recommendation.

The committee proceeded to hear all who might have reasons to offer against the confirmation of the nomination or who had complaints to present against the management of the office. Wide publicity was given this fact through the newspapers.

Under the auspices of L. J. Cooper, president, the ——— National Bank of ——— was being so seriously mismanaged that its solvency was threatened. The bank has for several years been on the "Special list" for frequent examination and special watchfulness. The irregular transactions and character of the business of this bank were such as to create grave distrust on the part of the examining officers as to its operations. Among other notes which were found in the bank's assets was one for \$1,950 bearing what claimed to be the signature of Mrs. Blanche Cooper, the wife of the president. The suspicions of the examiners were aroused, but Mr. Cooper assured them that the note was all right. As the note remained in the bank, an investigation was made to determine its status, and Mrs. Cooper upon being personally notified of the note wrote a letter to the bank, denying the genuineness of her signature and asking under the circumstances to be relieved of the necessity of giving further details. A photostatic copy of her letter is submitted herewith. The original of that letter is in the possession of the national bank examiner.

Some time after the receipt of Mrs. Cooper's letter denying the genuineness of her signature, the note was paid by a connection of the family, and after its payment L. J. Cooper, the husband of Blanche Cooper, and former president of the ——— national bank of ——— admitted to Chief National Bank Examiner Higgins of the sixth Federal reserve district, that he had forged his wife's signature to the note.

(The letter referred to in the foregoing statement, which Mrs. Cooper, wife of Wade Cooper's brother, Lawrence J., wrote to the president of the national bank who had been elected to succeed her husband who had been forced to resign, denying the genuineness of her alleged signature to a \$1,950 note then held by that bank, which her husband, Lawrence J. Cooper, subsequently confessed to a national bank examiner that he had forged, was as follows:

"— May 23, 1918.

"—— National Bank, ———, President, ———.

"DEAR SIR. Your letter of 22nd instant was delivered to me by special delivery, registered mail. In this letter you refer to a note dated in February, 1917, on which I am supposed by you to be liable. Your letter was the first information I had of any such note.

"I can only answer your letter by stating positively and emphatically that I deny liability on the note referred to in your letter. Under the circumstances in which am placed I feel sure that you can not expect me to go further in giving any explanation. I am,

"Yours, very truly,

"BLANCHE S. (Mrs. L. J.) COOPER."

Since the warrants were issued in Chicago less than a year ago for the arrest of L. J. Cooper for fraud and for conducting a confidence game, I have been advised of his indictment by the State courts of Georgia for other unlawful transactions and that he has been released on \$10,000 bond.

I attach herewith copy of an article appearing in the Chicago Tribune of March 13, 1918, relative to warrants which were issued for the arrest of L. J. Cooper, former president of the ——— National Bank ——— of charging him with fraud and with conducting a confidence game. The order for his extradition to Illinois was granted by the governor of Georgia, but proceedings were delayed by the habeas corpus proceedings.

In testifying before the Senate committee on the 13th instant Wade H. Cooper stated that his brother—L. J. Cooper—had declined to consummate a proposed transaction with the Chicago parties because he had become dissatisfied with the security which they had offered him. The report in the Chicago Tribune indicates that the transaction was carried through and that the bonds were delivered by Cooper to the Chicago parties in the Summer of 1917, but that in December, 1917, when the coupons were sent on for the collection of interest on the bonds which Cooper had delivered, it was then ascertained that the bonds were not secured by a mortgage upon the property by which it was purported to be secured.

When Wade H. Cooper was asked on Wednesday, the 12th, why his brother did not go back to Chicago to face the charges and clear himself, he replied that he was afraid that he "would be fed to the lions."

I also attach herewith a letter from the chief national bank examiner's office in Chicago, stating that the Chicago complainants decided not to push the case further simply because of the expense involved in its prosecution and in conducting extradition proceedings.

The records of the comptroller's office show that there was a continuous and constant interlacing and exchange of loans between these Cooper interests during the last five years, together with persistent kiting of checks as to some of the borrowers. The situation has been regarded by this office as an exceedingly dangerous one and one which has called for constant and unrelenting attention by the examining officers "

The comptroller's testimony before the Senate committee set forth in some detail the large borrowings by the Cooper clique and the interlacing loans and "kiting" operations carried on between some of the small banks manipulated by this group of men, and which threatened the solvency of the institutions with which they were connected. Several of these banks have already closed, and others are in a precarious condition.

The loans to W. H. Cooper and members of his family, some of the loans entirely unsecured, and others collateraled by worthless or doubtful securities, were found scattered through many of the banks which were under the supervision of the comptroller's office, these loans aggregating hundreds of thousands of dollars. It is very plain why the Cooper brothers shrink from the supervision of their operations by the comptroller's office, and why they object to a restraining hand.

The comptroller's testimony continued:

In addition to loans to the Cooper brothers, their wives, and near kinsmen have also been liberal borrowers from the banks with which they have been connected. The records show various loans to N. P. and W. H. Jenrett, first cousins of the Coopers, the money being borrowed on inadequate and insufficient security. This office has been advised that N. P. Jenrett, a first cousin of Wade H. Cooper, who is shown in the records as a borrower, until a recent date, from the United States Savings Bank, of which Wade H. Cooper is president, has been indicted in connection with the theft or disappearance of about \$35,000 of notes.

As to Wade H. Cooper, he admitted before the Senate committee on Wednesday, the 12th instant, that he had carried as an asset in the United States Savings Bank a \$4,000 note of one Stubblefield, although there was in the bank at the time a secret agreement relieving the maker of the note of any liability thereon. When asked by the committee as to why this was done he stated he did so in order to avoid making a charge against the surplus, which was scant at the time. This item was reported as an asset of the bank in a sworn statement made to this office by Mr. Cooper's bank, and was, therefore, a false statement.

Upon another occasion in an examination of the United States Savings Bank it was found that the bank had in its assets 94 notes aggregating \$8,311, which were forged, and that Wade H. Cooper, president of the bank had directed that an arbitrary charge of approximately this amount be made to increase the equity in a small apartment house which the bank held, as Cooper at that time stated to Examiner Trimble, to keep this large loss from showing in his reports, on account of his fear, as he stated, that if this loss was shown it might cause a run upon his bank and cause them serious trouble. At the same time the examiner found a sworn confession of the man who had forged the notes, which Wade H. Cooper had held since June 12, 1914. No report had been made to the comptroller's office or to anyone representing the Department of Justice as to these forgeries.

* * * * *

The "Bureau of National Literature and Arts" is a corporation which has been through serious financial difficulties and the control of which has been acquired by Wade H. Cooper. The United States Savings Bank held in its assets certain of the bonds of this company, which assets had been subject to criticism by the examiners. On or about November, 1917, the bank sold approximately \$77,700 of the bonds of the Bureau of Literature and Arts to Thomas E. Cooper, for \$12,432 or approximately 16 cents on the dollar. At about this time correspondence between the Messrs. Cooper indicates that they themselves placed a value of about 40 cents on the dollar on the bonds, or two and one-half times the price at which they were sold by the bank to Thomas E. Cooper. On March 30, 1917, Thomas E. Cooper wrote to his brother, L. J. Cooper, at ———, as follows: "I have again written W. H. with reference to purchasing bureau bonds, but I do not think you need wait on him as I have no idea of his purchasing the bonds although I have increased my bid up to 40 since he indicated that he could buy them at 40."

Two months later, as shown by the minutes of May 12, 1917, it appears that Wade H. Cooper visited ——— and appeared before the board of directors of the ——— National Bank of ———, of which L. J. Cooper was president, and which bank was then in a tottering condition, and persuaded them to buy \$30,000 of the bonds of the Bureau of Literature and Arts at 100 cents on the dollar, taking from the bank therefor the sum

of \$30,000, \$15,000 of which was in a New York draft payable to Wade H. Cooper and the balance was delivered to or for the personal account of L. J. Cooper, the bank's president.

The records show that on May 21, 1917, L. J. Cooper wrote to his brother, D. S. Cooper, at Dunn, N. C., in part as follows:

"W. H. met with our board and we chewed the rag for two or three hours. The board would not agree to buy the bonds without a guarantee from W. H. to loan money on them at 5 per cent and he to take them back in case Mr. J. K. disapproved. W. H. agreed to do this at the meeting but after he got to drawing up the resolution and agreement, etc., he got a little skeptical and is still considering whether or not he should send the bonds down under the board's agreement.

"I wrote him a day or two ago and wrote Tom also that they had better send the bonds on down and let's put them in regardless, that if they were disapproved they would have to take them out, but, in the meantime, would give me a new lease so to speak.

"Of course if this Chicago proposition goes through none of this will be necessary but I am not at all sure about it in fact I will not believe it until I come into possession of the real money. I may go to Chicago Tuesday night. If I do I will be there early Wednesday morning and I can tell within a few hours what prospects are for a sale; in the meantime if nothing should develop I shall be glad to let you hear."

(The "Mr. J. K." referred to is supposed to be Bank Examiner J. K. Doughton.)

As above stated the transaction referred to with W. H. Cooper was consummated and the money paid over to W. H. and L. J. Cooper.

Several months later, the records show that the Cooper brothers endeavored to repurchase from the ——— Bank at 50 cents on the dollar, the bonds which in May, 1917, he sold at 100 cents on the dollar. The transaction was the subject of correspondence between the Cooper brothers.

After unloading \$30,000 of bonds upon his brother's bank, at more than five times the price at which he sold similar bonds a few months later, Wade Cooper refers to his brother, whom he had thus fleeced, in the following language, at the hearing the Comptroller of the Currency on October 29, 1918.

"We made him [L. J. Cooper] get out of the bank because he was not attending to his business."

On May 24, 1918, John W. Bennett, formerly a director of the ——— National Bank of ———, wrote a letter to W. B. Cooper of Wilmington in regard to this transaction and said in part:

"I note also what you say with reference to the Bureau of Literature bonds. As stated in this letter, I have no further connection with the bank and have no right to suggest or dictate what the board shall do, but I think the proposition made by you and your other brothers with reference to these bonds was no less than outrageous and especially in view of the fact that your brother appeared before the board of directors of this bank and over my protests induced them to buy the bonds, paying therefor 100 cents on the dollar and for you and your other brothers to submit a proposition of paying one-half that price for them, as I say, impresses me as being no less than an outrageous proposition.

"It is one that would never under any circumstances be considered by me if I was connected with the bank."

The record further shows that six months after Wade H. Cooper had induced the ——— National Bank of ——— to buy the \$30,000 of bonds from himself at 100 cents on the dollar, he appeared before the board of directors of the United States Savings Bank and approved a transaction by which the board of directors of that bank, of which he was president, sold to his brother, Thomas E. Cooper, of Wilmington, the entire holdings of the United States Savings Bank in bureau bonds at 16 cents on the dollar.

The Bureau of Literature and Arts was a close corporation which was being manipulated by Wade H. Cooper, and it was exceedingly difficult to obtain any information as to the actual worth of the company bonds, which were being carried by the United States Savings Bank in this district.

Wade H. Cooper testified before the Senate committee that the Bureau of Literature and Art was "controlled" and managed by him and his associates, and then admitted that because of this situation, and because of the ignorance on the part of the other bondholders of the condition and business of the Bureau of Literature and

Art, of which he was a director, that he, Cooper, had been enabled to take advantage of his superior information (incident to his fiduciary relationship) to deal in its bonds to his personal benefit.

The CHAIRMAN. From who are you quoting now?

Mr. WILLIAMS. Those are my remarks.

The records shows, however, that he did this to the injury or loss of other bondholders—including the bank of which he was president. In certain cases, it appears that in order to facilitate his operations with the bondholders he deliberately made depreciatory statements in regard to these bonds, and at other times concealed data concerning their real value. His exact language regarding his deals as officially reported before the committee was as follows:

"The value of these bonds is not generally known, and as a result of that, I have been able to buy them (bureau bonds) at various prices sometimes paying as high as 90 cents for the same, though a few years ago I bought some of them as low as 35 or 40 cents, but that was before the corporation was able to show such a fine statement as I now exhibit to you."

Further extracts from the comptroller's testimony follow:

In November, 1917, Examiner Trimble again criticized between \$50,000 and \$60,000 of loans made to the Coopers and their allied interests, which were being carried by the United States Savings Bank, and informed Wade H. Cooper that these notes of his brothers and their interests ought to be taken out of the bank.

About that time Wade H. Cooper approached Examiner Trimble and calling his attention to the fact that the United States Savings Bank had \$77,700 of bonds of the Bureau of Literature and Arts which were being carried on the bank's books at 16 cents on the dollar, inquired whether he would permit the bank to dispose of the bonds at the price at which they were thus being carried, if he (Cooper) should arrange to have the paper objected to, amounting to about \$58,000, paid or removed from the bank.

Examiner Trimble informed Cooper that the paper must be gotten out in any event, but that he would not object to the bank's parting with \$77,700 of bureau bonds at the price at which they were being carried, provided that represented their fair value, but stating that as he was not informed as to their real worth, if they were sold to any of the Cooper brothers or anyone else at a lower price than they were found to be worth, after investigation, in his opinion he (Cooper) and the directors present and consenting to the sale would be liable for the full amount of the difference between the price at which they might be sold and their actual worth.

This statement of Examiner Trimble is substantially recorded in the minutes of the meeting of the directors of the United States Savings Bank of November, 1917.

In order to insure protection to the bank, Examiner Trimble called W. H. Zepp, vice president, over the phone within a day or two of the examination of November 21, 1917, and cautioned him that the bonds of the Bureau of Literature and Arts must not be sold by the bank for less than their value, and instructed him to see that a statement to this effect was properly inscribed in the minutes of the directors at their next meeting if the question should come up.

The notation in the minutes was accordingly made and will be found in the minutes of the books of the bank. Examiner Trimble had not been apprised of the sale which Wade H. Cooper made to the ——— Bank of \$30,000 at 100 cents on the dollar just six months earlier and knew nothing about the actual value of the bonds.

The records show that apparently within a few weeks of that time the Cooper brothers were endeavoring to buy back from the ——— Bank at 50 cents on the dollar bonds of the same issue that Wade H. Cooper approved of his bank selling to his brother, Thomas E. Cooper, at 16 cents on the dollar, at the time that the various notes aggregating about \$58,000, under instructions from the examiner, were taken out of the United States Savings Bank. Wade H. Cooper had steadily contended that the notes which the examiner had required him to remove from the bank were good and desirable investments for the bank and insisted that it would be a hardship upon him for the examiner to criticize it.

If the bonds were really worth 100 cents on the dollar, the price at which Wade H. Cooper sold \$30,000 in May to his brother's bank, it would appear that in approving the sale of \$77,700 of bonds at 16 cents he obtained from the bank under false pretenses \$65,400 or \$7,000 more than the entire face value of all the notes which were taken out of the United States Savings Bank at that time.

If the bonds were only worth 16 cents, in selling \$30,000 of the bonds to his brother's bank Wade H. Cooper deprived the bank, in effect, of \$25,200 under false pretenses.

(Briefly stated, the facts show: That a few months after Wade Cooper had forced a little bank in ——— to buy his bonds at par, and while the bonds were supposed to be getting more valuable, he got the local bank, of which he was president and whose interests he was supposed to protect, to sell \$77,700 of the same issue of bonds owned by it to his Wilmington brother at exactly one-fifth of the price at which he had sold his own bonds to the ——— Bank.

It was subsequently claimed that the price of "16" realized for the \$77,700 of bonds was equal to 20 cents on the dollar on the 80 per cent thereof which was still unredeemed; and that the bonds which were unloaded at "par" to the ——— Bank cost that bank "par" on the 80 per cent unpaid thereon. Whether this is so or not it does not alter the reprehensible character of the two transactions.

In view of the unequivocal warning given by the bank examiner to the directors, and recorded in the minute books, that if the "bureau" bonds should be sold by the bank "at a lower price than they were found to be worth after investigation, Cooper and the directors present and assenting to the sale would be held personally liable for the full amount of the difference between the price at which they might be sold and their actual worth," the fact that certain undesirable loans previously imposed upon the bank by the Coopers were taken out at the time the bonds were sold, offers of course, no excuse for the bank's sale to a brother of its president of \$77,700 bonds at one-fifth the price at which the president had shortly before sold his own bonds.)

The comptroller further testified:

At the hearing on Tuesday, the 12th, Wade H. Cooper stated that he had never borrowed from any bank of which he was president. Whereupon the chairman asked him whether any member of his family had borrowed. He admitted that some of his brothers had borrowed from his banks and indicated that that was all. The chairman of the committee pursued the question further and asked whether it was true that his wife had borrowed, to which Cooper replied he thought his wife had one loan of less than \$5,000, amply secured by railroad bonds. The chairman asked him if his stenographer had any loans. He said he thought she had one for a thousand or so.

(When pressed, Cooper also admitted another loan from his bank to his wife for \$10,000 on real estate.)

The fact is that the records of the bank show that there was in the bank at the time of the last examination a \$10,000 loan, applied for by Wade H. Cooper himself, for the benefit of his wife, which was to be secured by real estate, on an incomplete transaction, although the money, it appears, had been paid out by the bank. The note for the \$10,000 paid out for his wife was signed by a female stenographer at the Union Savings Bank, of which Wade H. Cooper is president. When this was called to the attention of the board at the United States Savings Bank, Wade H. Cooper then stated that he would have his wife sign the note and assume the obligation.

Senator FLETCHER. How generally did you circulate that letter?

Mr. WILLIAMS. I took pains to circulate that letter in places where I had reason to believe that the Coopers were circulating false statements in regard to the comptroller's office. I told a good many of the directors in Washington, not all of them, of the banks here. I sent them to banks in North Carolina and South Carolina where I had been informed that he or his brothers were putting out false and misleading statements in regard to the facts; and I think also in Georgia and possibly in certain other States; but I desire to say that they were circulated under paid postage.

The CHAIRMAN. They were pretty generally circulated?

Mr. WILLIAMS. No; I can not say that they were generally circulated.

The CHAIRMAN. You said in other States.

Mr. WILLIAMS. I suppose there may have been—well, perhaps from a thousand to 2,000 copies.

The CHAIRMAN. Sent out?

Mr. WILLIAMS. Yes. May I just finish this?

Senator FLETCHER. I thought you had finished.

Mr. WILLIAMS. That is the end of the excerpts. If you would like to find out from my office, I can find out approximately how many were sent out.

The CHAIRMAN. I will take your statement—between 1,000 and 2,000 copies, you said.

Mr. WILLIAMS. A national bank president of high character and standing, the former president of the bankers' association of his State, in a letter to this office concerning the reprehensible methods and practices of bank officials of a certain type, wrote under date of March 3, 1919, as follows:

I have been in the banking business too long not to recognize at once the source from which the opposition of your confirmation comes. Such people * * * have no place in our business. A banker must possess both honesty and brains. This fellow has neither. * * * Such people are a menace to the business. We have been troubled with them here for a third of a century. * * * But for * * * assistance just an exact duplicate of this * * * banker would have gone to the scrap heap. To be frank, it would have been better if we had let him go. Time and time again we have been called on to help pull these kind of people out of trouble. * * * They constantly violate the rules of the game and take every possible short-cut to somebody's pocketbook.

Fight them to a standstill. * * * The more you fight them, the finer the things you accomplish and the more the business will have to thank you for. * * * The junk pile is the place they belong.

The CHAIRMAN. The committee will adjourn until to-morrow morning at 10 o'clock.

(Whereupon, at 12 o'clock noon, the committee adjourned until to-morrow, Tuesday, July 15, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS.

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 4

Printed for the use of the Committee on Banking and Currency



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1919

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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

TUESDAY, JULY 15, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.15 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Page, Gronna, Frelinghuysen, Calder, Newberry, Keyes, and Henderson.

The CHAIRMAN. The Committee will be in order.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

The CHAIRMAN. Have you finished with your statement in regard to the letter that you put in yesterday?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Have you the letter there?

Mr. WILLIAMS. You mean the memorandum?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I have a copy of it. It was given to the stenographer.

The CHAIRMAN. Of course, we will have to send that to the printer.

Mr. WILLIAMS. Mr. Birkhead, will you give the Senator a copy of the May memorandum?

The CHAIRMAN. I want to ask you a question in regard to that. I think in that memorandum you stated that some of the banks belonging to what you denominated the "Cooper clique" had been closed on account of the management, that they had kited checks, and they had credits that were unsecured amounting to hundreds of thousands of dollars, if I remember correctly. That was the substance of one of the clauses in that memorandum.

Mr. WILLIAMS. Interlacing of loans, kiting of checks, and irregular dealings.

The CHAIRMAN. And that applied to the banks, as you stated, belonging to the Cooper clique. You sent out one or two thousand of these letters over the country. What was your purpose in doing that?

Mr. WILLIAMS. I endeavored to make it clear on the face of the circular. May I call your attention to that? That states it exactly.

The CHAIRMAN. I do not think it does.

Mr. WILLIAMS. That was my motive, Senator.

The CHAIRMAN. Just repeat your motive in a word.

Mr. WILLIAMS. It is expressed succinctly in that one-page statement. I will read that, with your permission.

pt. 4

The CHAIRMAN. I prefer that you should answer my question, if you can, just to save time.

Mr. WILLIAMS. I found that the Coopers were circulating falsehoods and damaging statements in regard to the activities of the comptroller's office, the office of the Comptroller of the Currency.

The CHAIRMAN. That is enough. Your purpose was to—

Mr. WILLIAMS (interrupting). Counteract those false statements, and to show the real motives which were actuating what I conceived to be the prosecution in this case.

The CHAIRMAN. It was not your purpose to protect the depositors of these banks?

Mr. WILLIAMS. It was both, Senator.

The CHAIRMAN. It is your idea, then, that making public the weak condition of a bank is the proper way to protect the stockholders and the depositors?

Mr. WILLIAMS. I think, Senator, when practices are found to be going on persistently and consistently in the management of a bank, and that instead of getting better in some cases they are getting worse, and there has been no sufficient remedy applied, the stockholders themselves ought to be informed of those conditions, and that the public is entitled to that information.

The CHAIRMAN. The stockholders; but why the public?

Mr. WILLIAMS. I think the public are entitled to know the character of the institution.

The CHAIRMAN. These banks of Mr. Cooper's are both running concerns to-day, are they not?

Mr. WILLIAMS. I think largely due to the activities of the comptroller's office in preventing the reprehensible practices which we have been trying to eliminate from them.

The CHAIRMAN. But they are solvent concerns?

Mr. WILLIAMS. As I say, owing to the activities of the comptroller's office in watching them and keeping them on the special list for frequent examination.

Senator PAGE. If they are not solvent, you could not properly allow them to continue, could you?

Mr. WILLIAMS. Not permanently. Occasions sometimes arise when there is a question as to the solvency of a bank. When that question does arise, the comptroller's office uses every effort that it can to place it in a solvent condition, or to restore it to solvency, rather than close it, if there is a chance or a good hope ahead.

Senator NEWBERRY. Did I understand you to say that the condition of these banks was growing worse, and that the comptroller's office intervened to correct that?

Mr. WILLIAMS. The conditions has been thoroughly unsatisfactory and dangerous, as I have explained in the testimony here, to which I refer you. In one of the earlier examinations it was found that nearly twice the capital of the bank had been invested in loans of more or less doubtful character, coming up from the Cooper coterie of the banks in the South. We have been endeavoring earnestly and diligently to eliminate paper of that character. There were notes made by Cooper and his brothers and their associates, and their various so-called corporations. Sometimes they were dummy obligations, the obligation of one member of the Cooper family appar-

ently, when the evidence indicated that the proceeds had gone to somebody else, and under conditions which were not creditable.

Senator NEWBERRY. I have read over all the hearings that were held in February and March, and I gained the impression that the conditions of those banks were deplorable when Mr. Cooper became president. I did gather also the impression that they had continually grown financially stronger under his management. Am I wrong in that?

Mr. WILLIAMS. There has been an improvement.

Senator NEWBERRY. They have improved?

Mr. WILLIAMS. As the result of the insistence by the comptroller's office on the instructions which had been given from time to time by the examiners.

The CHAIRMAN. After they had been improved, this hearing came up last February. You felt that the proper way to conserve the interests of the bank, the depositors, and the stockholders was to publish the fact that the banks owned by the Cooper clique were unsound, some of them had been closed, and that their securities consisted of hundreds of thousands of dollars of unsecured paper. That is your idea of the duty of the Comptroller in conserving going concerns, is it?

Mr. WILLIAMS. It is my idea as Comptroller of the Currency that the deplorable condition of things that we found in the Cooper banks should be prevented and corrected and remedied at any cost. I felt, Mr. Chairman and gentlemen, and I believe, that if Mr. Cooper had been permitted to continue what appeared to be his determined course the banks would have been closed, would have become insolvent, and I believe that the interest of the stockholders and owners of the bank would have been safer, and would have been preserved, in the hands of the courts rather than in the hands of the reckless and irresponsible management which has characterized the conduct of some of those banks.

The CHAIRMAN. As I understand it, you were not thinking at the time of protecting your tenure of office in this way, but you were thinking solely of the banks, and the proper way to preserve their solvency?

Mr. WILLIAMS. I am sorry that you have drawn that conclusion from anything I have said, because that was not my intention. I thought it was important to have the public informed as to the character and the management of some of these banks on the one hand, and I thought it at the same time of very great importance that the authority and confidence in the comptroller's office and administration, if it was entitled to confidence, should be preserved, and that the true facts should be brought before the public and the banks, the shareholders, and directors.

The CHAIRMAN. I think that is all.

Senator HENDERSON. Mr. Williams; did you send the letter that you used yesterday in your testimony, and that has just been referred to, to any of the stockholders of these banks?

Mr. WILLIAMS. I think we did. I think we sent them to the stockholders of both of the banks, either that last circular of May or the previous edition of it. That is my impression.

Senator HENDERSON. Your object in doing that was what?

Mr. WILLIAMS. Was to inform the banks of conditions, so that they might aid in protecting the banks.

Senator HENDERSON. To inform the stockholders of the condition of the banks?

Mr. WILLIAMS. Yes. I think they were sent to the stockholders, then they were sent out generally. My recollection is that they were sent first to the directors, then later on to the stockholders, and when we heard of the untrue, false, and damaging statements which were being put out by Cooper and that coterie in regard to those banks, I thought it proper, in order that the office should appear in a proper position before the banks, which it was endeavoring to supervise to the best of its ability, that they should know of the real conditions.

Senator FRELINGHUYSEN. The hearings of the committee were available to you, were they not? You could have procured copies of the hearings, could you not?

Mr. WILLIAMS. I had copies of them.

Senator FRELINGHUYSEN. Would it not have been fairer to have sent these bankers who asked you for this information a copy of the hearings, so that they might judge of their character? You placed your own construction on this, and have not only sent it to the number of bankers who inquired, but you sent broadcast your views, your opinions, regarding the witnesses before this committee. I would like to know your object in doing that.

Mr. WILLIAMS. I thought, Senator, that it would be more effective, and that they would get a better idea of the real facts and the truth of the case, if they should be given some of the high points of the testimony, which I endeavored to present in that circular of 12 pages. I did not believe it would be as effective if I sent several hundred pages of printed testimony as if I should send excerpts. I want to say right now that that statement of mine in no wise gives on any point an unfair impression of what the real facts are. There is no point made in that paper the absolute correctness of which I am not prepared to substantiate, and I think it would have given a grossly distorted impression, if it had been accepted as of any import or consequence by those who might have received it, if we had given the testimony of Mr. Cooper, which I am prepared to show in every essential particular was grossly false, gentlemen.

The CHAIRMAN. That is your opinion.

Mr. WILLIAMS. I am prepared to substantiate it by written records on any point.

Senator FRELINGHUYSEN. This is the first time I have seen this memorandum, Mr. Chairman. I think that the committee ought to ask for the complete copy of this last letter.

The CHAIRMAN. It is in the record. You read it all, did you not, Mr. Williams?

Mr. WILLIAMS. I read that circular.

Senator FRELINGHUYSEN. I mean the letter from the banker on March 3.

The CHAIRMAN. Mr. Williams, will you give the stenographer full copies of all the letters you quoted from?

Mr. WILLIAMS. If the committee desires it.

The CHAIRMAN. I think that is a good suggestion.

Mr. WILLIAMS. Anything else, Mr. Chairman?

The CHAIRMAN. You may proceed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I presented yesterday letters from Mr. Milburn and Mr. Anderson, showing that the statements and charges made to the effect that I had endeavored to call Mr. Cooper off were wholly without foundation; that, on the contrary, when they came to my office I told them I would prefer his opposition to his support. I did not have at hand a copy of my letter to Mr. Milburn to which his was a reply. I now put in the record the letter of July 5, 1919, as follows:

JULY 5, 1919.

FRANK P. MILBURN, Esq.,

Vice President and Director, Union Savings Bank, Washington, D. C.

DEAR SIR: At a meeting of the Banking and Currency Committee of the Senate on Tuesday, February 11, 1919. Mr. W. H. Cooper, president of the Union Savings Bank, of which you are vice president and a director, charged that a few days previously I had "telephoned to one of my [his] directors to come to his [comptroller's] office—Mr. Frank P. Milburn—and that he [the comptroller] was very abusive of me [Cooper] and made veiled threats of what he would do to the banks should I [he] appear here [before the Senate Committee]."

He declared that you were "terrified and intimidated by Mr. Williams for fear he will do something hurtful to the bank," and in his complaints filed with the committee he [Cooper] stated specifically under head of complaint No. 13 that "he [the comptroller] has sought, by veiled threats of doing something hurtful to one of the banks of which I [Cooper] am president, to prevent me [Cooper] from appearing to oppose his confirmation."

The truth of the matter is, as I have no doubt you will recall, that I informed you expressly and explicitly that I would much prefer the opposition to the indorsement of such a man as the witness, Cooper, and that I did not want any misunderstanding as to my motive in sending for you; that my object was to inform you of the false and slanderous statements which Mr. Cooper, over his signature as president of the Union Savings Bank was making in communications which he was sending out to different newspapers, urging them to print untrue and misleading articles in regard to the administration of this office.

I handed you at the time a photostat copy of the letter which Mr. Cooper had sent under date of February 3, 1919, to the editor of a New Jersey newspaper on the letterhead of your bank, and I suggested to you that his action in using those letterheads for such a purpose seemed unjustifiable and would naturally be detrimental to the credit and welfare of the bank. His use of the bank's letterhead was apparently for the purpose of giving weight to his communications.

The letter of which I showed you a photostat copy had been signed by Cooper as president of the bank, and it subsequently developed that his action in sending out those letters was entirely without the knowledge or the approval of the bank's directors. You expressed your complete surprise at Mr. Cooper's action—in fact you stated that this was the first intimation that you had had of anything of the sort. A few days subsequently you called, on your own initiative, at this office, and brought with you the two Messrs. Lyon, attorneys for the bank, and discussed the situation further.

On this subsequent visit I repeated to you three gentlemen substantially what I had said to you on the occasion of your first visit, and I emphasized the fact that I did not want my object in calling your attention to this use which Cooper was making of the bank's name and letterheads to be misinterpreted into a desire on my part to have Cooper restrained from opposing my confirmation—on the contrary, I again told you that I would prefer the opposition to the indorsement of a man with Mr. Cooper's record.

I have had no further conference or communication with you since those two visits. On your second visit with the Messrs. Lyon those gentlemen, counsel for the bank, manifested as much disapproval as you had done at the character of Mr. Cooper's attacks and his use of the letterheads of the Union Savings Bank in his apparent effort to make it appear that he had the support of the bank in his attacks.

Please inform me whether my own recollection and knowledge of what passed between us in the two interviews referred to as above set forth are in accord with your own knowledge of the facts.

Yours, very truly,

JOHN SKELTON WILLIAMS.

It was in reply to that letter that Mr. Milburn wrote the letter which was introduced yesterday, and which was signed by one of the Lyons.

The CHAIRMAN. Were Mr. Milburn and the other directors of the bank men of character and responsibility?

Mr. WILLIAMS. I had never met Mr. Milburn before, but I took the matter up with him because I believed he was a man who would endeavor to do the right thing, protecting the interests of his stockholders.

The CHAIRMAN. Is that the case with the other directors?

Mr. WILLIAMS. With the other directors of the bank?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I do not know that I know any of them.

Senator FRELINGHUYSEN. You speak of a letter you introduced yesterday from Mr. Milburn, signed by Mr. Lyon?

Mr. WILLIAMS. Here is the letter.

Senator FRELINGHUYSEN. May I see it?

Mr. WILLIAMS. Certainly [hands letter to Senator Frelinghusen]. Here is the letter, gentlemen, which I received from National Bank Examiner James Trimble under date of June 30, 1919, which has a direct bearing upon the statements made in the circular of May, 1919, which we have just been discussing:

JUNE 30, 1919.

HON. JOHN SKELTON WILLIAMS,

Comptroller of the Currency, Washington, D. C.

DEAR SIR: Wade H. Cooper stated to-day at the meeting of the Banking and Currency Committee of the United States Senate that the bonds of the Bureau of National Literature owned by the United States Savings Bank were sold under my guidance or instructions. The falsity of this statement can be shown by referring to the bank's own minutes.

During the examination of November, 1917, Wade H. Cooper approached me and called my attention to the fact that the United States Savings Bank owned \$77,700 of bonds of the Bureau of National Literature which were being carried on the books of the bank at 16 cents on the dollar (16 cents on the dollar on the original par value of \$77,700, or 20 cents on the dollar on the 80 per cent of principal at that time unredeemed) and inquired of me whether I would permit the bank to dispose of these bonds at the price at which they were thus being carried if he, Cooper, would arrange to have the paper which had been criticized and objected to during that examination, amounting to \$58,432.50, paid or removed from the bank.

I informed Mr. Cooper that the paper must be taken out in any event and that the comptroller's office would not consent to the sale of the bonds for a less price than these bonds were really worth. I told him then, as I had done at previous examinations, that these bonds were not in my opinion a proper investment for a savings bank and that they should be disposed of, but that their full value must be obtained. I had no way myself at that time of ascertaining the actual value of these bonds and Mr. Cooper did not disclose to me information that he must have had at that time in regard to their actual value.

The claim or plea which has been made by Mr. Cooper in the hearings before the Senate committee to the effect that there had been any agreement or understanding of any kind whatsoever between the examiner for the comptroller's office whereby the bank was to be permitted to sell the \$77,700 of Bureau of Literature bonds to a brother of its president, or to any one else, at a price less than their real or actual value, and that a concession in price was made or was to be made as an inducement in order to secure the elimination of the \$58,432.50 of criticized paper is wholly untrue.

On the contrary, in order to insure protection to the bank I called Mr. W. H. Zepp, vice president of the bank, over the phone within a day or two of the close of the examination of November 21, 1917, and cautioned him that the bonds of the Bureau of National Literature must not be sold by the bank for less than their value, and instructed him to see that a statement to this effect was properly inscribed in the minutes of the directors at their meeting, and to advise the members of the board that any director approving their sale for less would be personally liable.

This statement was inscribed in the minutes four days before the sale was made and is a matter of record and is as follows:

"SPECIAL MEETING, BOARD OF DIRECTORS, NOVEMBER 24 1917, 7 P. M.

"Present: Wm. D. Barry, Oscar Baum, Wade H. Cooper, Thos. E. Cooper, Wm. T. Davis, Robert T. Dore, W. E. G. Penny, John J. Sheehy, Wilbur H. Zepp.

"Mr. Cooper presided.

"Mr. Zepp read the following message from Mr. James Trimble, national-bank examiner, to the board:

"If there is any sale of Bureau of National Literature bonds by this board the Treasury Department will hold the directors of this bank personally liable for the difference between the sale price and the actual worth of the bonds, as determined after a thorough investigation of the company's affairs."

The claim made by Mr. Cooper that the examiner recommended or authorized the sale of the bureau bonds for less than their real or actual value, "inconsideration of the above-mentioned notes having been taken out of the bank as provided" (see p. 264, part 1, of testimony), is completely negated by the above-quoted section of the minutes, which distinctly stated that if the bonds were sold at a price less than their real or actual value, the directors of the bank would be held personally responsible for the difference.

Mr. Cooper's adroitness in arranging to have the words "in consideration of the above-mentioned notes having been taken out of the bank" as a preamble to the attestation of the sale of the bonds at one-fifth of the price at which they had been sold a few months before, but of which transaction the bank examiner and the other directors of the bank, except probably the Coopers, had no knowledge, can not justify the trade.

My report of examination shows that the following notes were taken out of the bank at the close of the examination of November 21, 1917, at which time the \$77,700 of Bureau of Literature bonds were sold by the bank to Thomas E. Cooper:

2 checks—L. J. Cooper—drawn on Bank of Statenville, Ga., dated June 27, 1917.....	\$332. 50
L. J. Cooper's note secured by 50 shares First National Bank, Waycross, Ga..	5,000. 00
L. J. Cooper's note secured by 50 shares First National Bank, Waycross, Ga..	5,000. 00
L. J. Cooper's note secured by 50 shares First National Bank, Waycross, Ga..	5,000. 00
Note of N. P. Janrette, indorsed by L. J. Cooper; secured by 50 shares stock First National Bank, Waycross, Ga., standing in name of L. J. Cooper.....	5,000. 00

(I stated in my report of August 13, 1917, in referring to the four notes of \$5,000 each, as listed above, that in my opinion President Cooper and other directors of this bank could be compelled to make good any loss on these loans for their failure to perform their duty as directors.)

Senator CALDER. Were those notes taken out of the bank improperly, or were they paid and withdrawn?

Mr. WILLIAMS. No; they were presumably paid. They were paid. They were taken for their face, or at their value, taken out at that time, removed from the bank by sale, by purchase. We do not know how they were taken out. It is claimed they were taken out as part of the proceeds of sale of the bureau bonds.

Senator CALDER. Is there any contention that the transaction was improper?

Mr. WILLIAMS. The claim is that it was fraudulent, that the sale of the bonds at one-fifth of their value, of the price at which Mr. Cooper has sold bonds to his brother's bank in Waycross, was a fraudulent transaction. The evidence shows that in the preceding May he had taken \$30,000 of his own bonds and sold them to the bank at Waycross at par. At the same time it was claimed that he had taken, or arranged to have taken, from the bank certain securities, to which we will come presently—I will describe the securities taken out in connection with that transaction.

Senator HENDERSON. Let me get that straight. I understand that these notes, secured by certain bonds, or whatever they might be, were in the bank when you came into office in 1914. Is that true?

Mr. WILLIAMS. I do not know how far these particular notes were in. One of the examinations immediately before I came in, or soon afterwards, showed that the United States Savings Bank was loaded up with about \$180,000 objectionable paper.

Senator HENDERSON. Were these specific things you have referred to in this communication from Mr. Trimble all in the bank when you came into office?

Mr. WILLIAMS. I do not know whether all of those were in or not, or whether some notes were in and had been substituted for these. But notes of the same character were in.

Senator HENDERSON. And you had been——

Mr. WILLIAMS. Criticizing these notes.

Senator HENDERSON. Criticizing these notes?

Mr. WILLIAMS. Yes.

Senator HENDERSON. And these sales were made under your criticisms, and at your request?

Mr. WILLIAMS. The examiner insisted that these notes—as to whether they were all put in there at the same time, or a month's difference, or two month's difference, I do not know, I have not the record, but that can be shown—but these notes and notes similar to these, had been in the bank for several years, and the examiner had been persistently criticizing them, and urging that they be taken out.

Senator HENDERSON. And when he made this examination, and at the time this report to you was written, the bank had disposed of these notes, and they had all been paid in full?

Mr. WILLIAMS. You mean this letter of June 30, 1919?

Senator HENDERSON. Yes.

Mr. WILLIAMS. Oh, yes.

Senator HENDERSON. That cleared the transaction, and the bank then was clear of these criticized notes?

Mr. WILLIAMS. Yes; but it had gotten only 16 or 20 cents on the dollar for \$77,000 worth of bonds, instead of their real value. That is the point.

Senator FRELINGHUYSEN. What was your estimate of the real value?

Mr. WILLIAMS. May we go ahead?

Senator FRELINGHUYSEN. Yes; the letter will show what the real value was.

Mr. WILLIAMS. It discusses that point. Mr. Trimble in this letter says:

I stated in my report of August 13, 1917, in referring to the four notes of \$5,000 each, as listed above, that in my opinion President Cooper and the other directors of this bank could be compelled to make good any loss on these loans for their failure to perform their duty as directors.

L. J. Cooper note secured by Pitman notes for \$7,000.....	\$3, 400
D. F. Arthur note, indorsed by L. J. Cooper and N. P. Jenrette; secured by 80 shares Citizens Bank, Douglas, Ga. (50 per cent paid in on par of 100), 30 shares State Bank of Waycross, Ga.....	5, 500
P. S. Cooper note, secured by 30 shares Waycross Savings & Trust Co.; 10 shares Bank of Loris, S. C.; 5 shares Pembroke Bank, Pembroke, N. C.; 1 share First National Bank, Dunn, N. C.; 22 shares Southern Marble Works..	3, 500

Note of Mutual Realty & Investment Co. (P. S. Cooper, president), indorsed P. S. Cooper, secured by 20 shares First National Bank, Dunn, N. C.; 20 shares Bank of Pembroke, N. C.; 30 shares Waycross Savings & Trust Co.; 10 shares Bank of Cerro Gordo, N. C.; certificate of deposit, Waycross Savings & Trust Co., \$5,676.66 (stocks all in name of P. S. Cooper).....	\$9, 000
Note of J. G. Boyd, secured by stock of Heard National Bank, Jacksonville, Fla.....	3, 500
Note of J. J. Heard, secured by stock of Heard National Bank, Jacksonville, Fla.....	4, 500

(These last three loans and the above loan of \$5,000 to N. P. Jenrette, aggregating \$22,000, it appears were originally taken from the American National Bank of Wilmington—now the American Bank & Trust Co., of which T. E. Cooper is president—and in referring to these loans and other loans taken from the same institution and found at the time of an examination in 1913, National Bank Examiner Samuel M. Hann said "Mr. Cooper" (Wade H.) "states there is a verbal understanding that any notes unpaid can be charged back to the account of the American National Bank. Wilmington, N. C.")

Note of C. E. Bethea, secured by 30 shares Atlantic Bank & Trust Co., Wilmington (in liquidation); Bethea is cashier of American Bank & Trust Co., Wilmington, of which Thos. E. Cooper is president.....	3, 500
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The Atlantic National Bank was the predecessor of the Atlantic Bank & Trust Co., of Wilmington. It had been under the supervision of this office, under constant criticism, and we were in constant apprehension as to what should be done with it, and we were relieved when it was taken over under a State charter.

Senator CALDER. Is the T. E. Cooper referred to any relation to Wade Cooper?

Mr. WILLIAMS. Brother; Thomas E. Cooper is the brother of Wade Cooper. Thomas E. Cooper is a director of the United States Savings Bank of this city. It was to Thomas E. Cooper, the brother of Wade Cooper, that those \$77,000 of bonds were sold at 16 or 20 cents on the dollar; sold by Wade Cooper to his brother.

The CHAIRMAN. Are you referring now to the Bureau of Literature and Art bonds?

Mr. WILLIAMS. Yes.

The CHAIRMAN. Have you any affidavits in your office from the directors of the bank to the effect that the examiner recommended the sale of those bonds?

Mr. WILLIAMS. I have the statements of the examiner as to what he did.

The CHAIRMAN. No, but did you at any time receive affidavits from the directors of the bank to the effect that the examiner had recommended the sale of these bonds?

Mr. WILLIAMS. The claim has been recently made by the representatives of that bank that that was done. But that is negatived by the written evidence on the minute book of the bank.

The CHAIRMAN. You have not answered my question.

Mr. WILLIAMS. I think it quite likely that there may be letters from the directors, or some of them, claiming that they were authorized to sell those bonds by the examiner, which the examiner states was untrue, except that they must obtain the full value of the bonds if they sold them. I think there is a letter or a communication of some sort from the directors making some such statement as that is in the printed record; but I am giving you the direct statement of the examiner himself, proved by the minutes of the bank.

The CHAIRMAN. The minutes of the bank were made after you appeared and had your discussion with the bank as to the propriety

Senator FRELINGHUYSEN. Did the bonds secure a note?

Mr. WILLIAMS. No. They were owned by the bank. They were not collateral.

Senator FRELINGHUYSEN. They were owned by the United States Savings Bank?

Mr. WILLIAMS. Yes.

Senator FRELINGHUYSEN. As I take it, you were trying to force the disposal of these bonds. Am I right in that?

Mr. WILLIAMS. The examiner told the directors of the bank that he did not think the securities were a class which a savings bank should hold, and they should find out what their real value was, obtain it, and dispose of them.

Senator FRELINGHUYSEN. You are criticizing the sale of those bonds at 16 cents on the dollar.

Mr. WILLIAMS. Sixteen or twenty, whichever it was.

Senator FRELINGHUYSEN. And you also state that they were sold at less than their value.

Mr. WILLIAMS. At less than the price at which similar bonds, at one-fifth the price at which similar bonds, had been sold by the president of this bank to the Waycross bank six months before.

Senator FRELINGHUYSEN. The bonds might have changed in value.

Mr. WILLIAMS. The president has certified that they were increasing in value.

Senator FRELINGHUYSEN. What I am trying to get at is this, you are criticising this bank for the sale of these bonds at 16 as less than their true worth, and yet you say, your department says, you do not know what they are worth.

Mr. WILLIAMS. We have shown you the testimony of the president of the bank, who says he bought the bonds for as high as 90. His written testimony shows he paid as high as 90 for the bonds.

The CHAIRMAN. That was the Waycross bank?

Mr. WILLIAMS. No. Mr. Cooper certified that he bought the bonds, and he was enabled to buy them on account of his superior knowledge. He has told this committee that he was able to deal in the bonds and make money in doing so to his advantage, because of his inside knowledge of the situation which not even his directors had.

Senator FRELINGHUYSEN. I think when your department criticises the bank for selling these bonds at less than their worth, as far as the United States Savings Bank is concerned, and you do not know their worth, your criticism falls flat.

Mr. WILLIAMS. Does it fall flat when we refer you to the statement of the president that he had been buying them as high as 90?

Senator FRELINGHUYSEN. He might have bought them as high as 90. All of us have bought bonds, and we have lost money, particularly during the war.

Mr. WILLIAMS. But he certified that they were growing better from that time on.

Senator FRELINGHUYSEN. I think it is not what Mr. Cooper says. I think the point you make is that these bonds were sold at less than their value, and yet you do not know what their value was.

Mr. WILLIAMS. I say less than the price at which he sold bonds to the Waycross bank six months before.

Senator FRELINGHUYSEN. They might have depreciated in value.

Mr. WILLIAMS. They did not depreciate in that time. I will state that to the best of my knowledge and belief they were worth at least as much in November as they were in May.

Senator FRELINGHUYSEN. But, Mr. Williams, you state you do not know what their value is.

Mr. WILLIAMS. I have not the knowledge, nor do the directors of the bank know——

The CHAIRMAN (interrupting). You do not know whether the bank ever lost a dollar or not in the transaction?

Mr. WILLIAMS. Yes; I state that one of those two banks lost materially.

The CHAIRMAN. But you do not know which one?

Mr. WILLIAMS. I say it depends on what the bonds were really worth. Suppose there had been no interval of six months between these two transactions, but an interval of one day. Would there be any question as to the fraudulent character of the transaction, if he on Tuesday sold the bonds to his brother's bank at a hundred, and the next day his brother bought bonds from his bank at 16?

Senator FRELINGHUYSEN. Mr. Williams, I want to get this thing clear, and I want to be perfectly fair. You are criticising this bank for selling bonds at 16. That might be a good price at 16——

Mr. WILLIAMS. I can say this——

Senator FRELINGHUYSEN. But you say you do not know their value.

Mr. WILLIAMS. I do not know how much they are worth, but I will say this——

Senator FRELINGHUYSEN (interrupting). Is it not your business as comptroller to know that?

Mr. WILLIAMS. We have been trying to find out, and we have been unable. We have come up against a blind alley, and we have been unable to get any information, as illustrated by Mr. Wade Cooper's action a week ago, by refusing to give the examiner that pamphlet which he said gave the information.

The CHAIRMAN. You stated he sold the bonds to the Waycross bank at par.

Mr. WILLIAMS. Yes. I stated also, if you will permit me, that the sale was made in conjunction with certain other transactions, which I will explain in detail in a few minutes. I have the data here.

The CHAIRMAN. You know, do you not, that he got 50 per cent in cash and the other 50 per cent in questionable paper?

Mr. WILLIAMS. In securities which should have been collected at their face value. But I will come to that, if you will permit me, in an orderly way.

The CHAIRMAN. Very well. Proceed.

Mr. WILLIAMS. This continues:

My report of examination shows that the following notes were taken out of the bank at the close of the examination of November 21, 1917, at which time the \$77,700 of Bureau of Literature bonds were sold by the bank to Thomas E. Cooper.

Senator NEWBERRY. Where he says "taken out," he means paid in full, does he not?

Mr. WILLIAMS. Paid at their face value; yes.

The CHAIRMAN. In the interest of time, if any of this matter is already in the printed record——

Mr. WILLIAMS (interrupting). This is not in the printed record. The CHAIRMAN. Very well.

Mr. WILLIAMS. This proceeds:

Note of C. E. Bethea, secured by 30 shares Atlantic Bank & Trust Co., Wilmington (in liquidation); Bethea is cashier of American Bank & Trust Co., Wilmington, of which Thos. E. Cooper is president..... \$3, 500
W. B. Drake, jr., note secured by 20 shares Atlantic Bank & Trust Co., Wilmington (in liquidation); note indorsed by C. E. Bethea (see above)..... 2, 000

I think that last man is the responsible man and executive officer of a bank in North Carolina, of a reputable bank.

Total of accommodations to Cooper brothers and their immediate interests, \$55,232.50.

Those were the securities which were taken out at the time of the sale.

It is not specifically shown in the reports of examination that the two following loans represent advances to the Coopers or their interests:

Georgia Farm, Fruit & Pecan Co..... \$200
Fidelity Trust & Dep. Co., Wilmington, N. C.; note indorsed J. H. Council, J. W. Brooks, C. C. Chadborn, L. W. Davis, W. A. Connor, D. N. Chadwick, jr., J. H. Hinton (all of Wilmington, N. C.)..... 3, 000
Total paper taken out, \$58,432.50.

The above list with explanatory data shows clearly that 95 per cent, if not all, of the notes taken out of the bank in connection with sale to Thomas E. Cooper of the Bureau of National Literature bonds represented accommodations to the Cooper brothers and their immediate interests, which notes were undoubtedly placed in this bank because of the control exercised by Wade H. Cooper, vice president, and his brother, Thomas E. Cooper, a director, and for the payment of which notes certainly President Wade H. Cooper and Director Thomas E. Cooper were morally, if not legally, responsible.

In my report of examination dated March 30, 1914, I stated, referring to paper taken from the American National Bank at Wilmington (now the American Bank & Trust Co.) and other "Cooper" banks:

"Wade H. Cooper says: 'We have verbal instructions to charge these items to sending banks at maturity and they feel morally obligated for all this paper.'

"The correspondence which accompanies these notes gives to the United States Savings Bank the authority to credit proceeds to the account of the sending bank and also authority to charge the note to their account at maturity."

Those are the doubtful or bad notes, taken out of the bank, and which it has been claimed were in consideration of selling the bureau bonds at one-fifth of their price, notes which the correspondent banks were morally, if not legally responsible for, and which Wade H. Cooper has declared to the examiner they had instructions to charge to the sending banks.

Senator GRONNA. Of course, a banker is morally responsible for every dollar of paper in the bank, Mr. Williams.

Mr. WILLIAMS. I do not understand so, sir.

Senator GRONNA. I have always understood——

Mr. WILLIAMS. I think a good many bankers would go broke if that were so.

Senator GRONNA. I understand that a banker is morally responsible.

Mr. WILLIAMS. He is responsible to exercise sound judgment and good morals in the purchase of paper.

Senator GRONNA. Is he not responsible to this extent, that he has to see to it that the paper which he takes is paper that will be paid?

Mr. WILLIAMS. As far as he can.

Senator GRONNA. As far as he can. Is not that the law?

Mr. WILLIAMS. You mean if it is not paid, he has to pay it himself? Senator GRONNA. Certainly, as far as he can.

Mr. WILLIAMS. I never heard of that.

Senator GRONNA. I understand the law with reference to liability, based upon stock assessments of course, but when you are speaking of moral responsibility I consider that a banker is morally responsible for every dollar of the institution. That may be a new thing, but that is the way we look at it out West. I am just mentioning this because you are confusing the question of legal responsibility and moral responsibility.

Mr. WILLIAMS. Here were the statements to the examiner that—

We have verbal instructions to charge these items to sending banks at maturity and they feel morally obligated for all this paper.

The correspondence which accompanies these notes gives to the United States Savings Bank the authority to credit proceeds to the account of the sending bank and also authority to charge the note to their account at maturity. The majority of these notes are indorsed "without recourse," the balance are not indorsed by sending bank.

My reports show that at the examinations of December, 1914, and December, 1915, the statements of the officers above quoted were reiterated as to the liability of the sending banks for all of the paper referred to.

Senator NEWBERRY. If I clearly understand that, that liability of the other banks did not add anything or detract anything from the value of the notes?

Mr. WILLIAMS. Oh, yes. The bank in Wilmington that sent the paper with the understanding, as shown by the records, that they should be charged with it if not paid, is still in existence, still a going concern.

Senator NEWBERRY. Notwithstanding that guarantee, the examiners thought the notes should be sold?

Mr. WILLIAMS. Unquestionably. They thought it should be taken out, even if they had that guarantee of that bank, unquestionably, and they would think so to-day, and would say so with great emphasis. But the point is that they should have been taken out and paid without regard to any other consideration of any sort. This continues:

At various other examinations I had repeatedly warned the bank that the payment of the paper herein listed, and which they so definitely stated to me they had authority to charge as it matured to the correspondent banks, must be insisted upon. In view of the circumstances of the case, the flat declarations of Mr. Cooper, the bank's president, and the relationship of the said Cooper, the president of the bank, and Thomas E. Cooper, one of its directors, to the makers or beneficiaries of practically all of this paper, and their moral or legal responsibility for its payment, I believed that the directors in the exercise of due diligence would have been able to collect substantially the whole of it, if they had done their obvious duty, although the makers of a large part of the paper were themselves of doubtful solvency.

I never dreamed that Wade H. Cooper, in connection with the removal of the criticized paper of his brothers and their interests, was engineering the sale to his brother, T. E. Cooper, of these bonds at one-fifth of the price at which bonds of the same issue were sold by him a few months before to the Waycross bank, in which that same T. E. Cooper was a director.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Senator NEWBERRY. In the year and eight months that have transpired since these bonds were sold at 16 or 20 cents, has the comptroller's office been able to find how or where they could have

been sold at a higher price? They were sold under pressure of the comptroller's office and, presumably, they did the best they could.

Mr. WILLIAMS. Mr. Cooper stated to this committee, Senator, some months ago, if I remember correctly, that at least \$100,000 of those bonds—I think I am correct—had been paid off by the bureau at par since that time.

Senator NEWBERRY. I am talking about a year ago last November.

Mr. WILLIAMS. I say, in this very interval that you speak of, 18 months, or whatever it is, they have been taken in and redeemed at par.

If I am not correct in that, Mr. Chairman, I should be very glad to be corrected.

Senator NEWBERRY. Of course that does not answer my question.

The CHAIRMAN. My recollection on that is very imperfect.

Senator FRELINGHUYSEN. Will the reporter read Senator Newberry's question.

(The question referred to was thereupon read by the reporter as above recorded.)

Senator FRELINGHUYSEN. I do not think the comptroller has answered that question.

Eliminate what Mr. Cooper stated.

Mr. WILLIAMS. I had eliminated nearly everything that he states, and I thought possibly that might be a correct statement—

Senator FRELINGHUYSEN. Have you tried to ascertain the value of those bonds before making the statement that they were sold for less than they were worth?

Mr. WILLIAMS. Yes, sir, and I found—I think that this is correct—that a considerable amount of the bonds have been paid off at par.

Senator FRELINGHUYSEN. Since they were sold?

Mr. WILLIAMS. Since that transaction; yes.

Senator FRELINGHUYSEN. Do you know that?

Mr. WILLIAMS. I have reason to believe so.

Senator FRELINGHUYSEN. Could you bring in evidence to that effect?

Mr. WILLIAMS. I will endeavor to do so if you would like it.

Senator FRELINGHUYSEN. I think it is important.

Senator NEWBERRY. Is my question to be passed without a definite answer, or will you answer it later?

Mr. WILLIAMS. I have stated that they are not bonds which are actively dealt in in the market, being dealt in by Mr. Cooper and his interests. He has had a list of the bondholders. He has stated from time to time that he has paid from 40 to 90 for those bonds, and we know what his testimony has been. I am not able to give you the names of any other purchasers of those bonds except the bureau itself, which I have reason to believe has acquired some of the bonds at par from Mr. Cooper, as I understand it.

Now, gentlemen, among the obligations which were being carried—but let me state that I am advised by the examiner that information in his possession indicates that since that time, since those bonds were taken from the United States Savings Bank by Mr. Thomas E. Cooper, a brother of Mr. Wade Cooper, at 60 or 20 cents on the dollar, there has been paid 25 per cent on their face value in liquidating dividends toward the payment of the bonds—25 per cent paid on them, leaving the balance still collectable; 25 per cent of

dividends paid on those bonds, 80 per cent of which were taken at 16 cents on the dollar.

Senator NEWBERRY. You mean leaving a balance uncollectible?

Mr. WILLIAMS. Leaving a balance uncollectible; yes, sir—no; leaving the balance collectible to be paid hereafter, and presumably will be paid.

Senator GRONNA. How many of those bonds are in existence now, Mr. Williams?

Mr. WILLIAMS. Perhaps Mr. Cooper knows.

Senator GRONNA. I would like to know. Can you furnish it for the record?

Mr. WILLIAMS. Will you not ask Mr. Cooper—

Senator FRELINGHUYSEN. He is not on the stand now.

Senator GRONNA. What are those bonds worth now?

Mr. WILLIAMS. I do not know.

Senator GRONNA. Do you not think it would be the duty of your office to know what they are worth, so long as you have had this controversy?

Mr. WILLIAMS. I do, sir. I tried to find out the other day by sending an examiner to Mr. Cooper for a copy of the pamphlet which he laid before the committee, and he refused to let him have it.

Senator GRONNA. Would your examiner know what they were worth?

Mr. WILLIAMS. The information he sought was refused him by Mr. Cooper.

Senator FRELINGHUYSEN. Mr. Williams, it is a corporation, is it not?

Mr. WILLIAMS. A very close corporation.

Senator FRELINGHUYSEN. Well, it is a corporation; and you are in a position to ask for a statement, are you not?

Mr. WILLIAMS. Oh, maybe I could; but I sent and asked the local director and he refused to give it.

Senator NEWBERRY. Have you not access to the Internal Revenue Office file?

Mr. WILLIAMS. I do not understand that I have, Senator. I should be glad, if the Internal Revenue Office has the information—

Senator NEWBERRY. It must have made some income, and presumably made an income-tax return.

Mr. WILLIAMS. If you think it desirable, I will ask the Secretary of the Treasury to permit the comptroller to request the information.

Senator NEWBERRY. I do not want to suggest how to do it. I would like to have the information, myself.

Mr. WILLIAMS. I would be very happy to act on your suggestion, Senator.

Senator FRELINGHUYSEN. This company—what is it?

Mr. WILLIAMS. The Bureau of Literature and Arts.

Senator FRELINGHUYSEN. The Bureau of Literature and Arts is incorporated under the laws of some State?

Mr. WILLIAMS. I do not know whether it is or not. It may be a partnership or association. I do not know what its form was.

Senator FRELINGHUYSEN. You do not know whether it is a corporation or a partnership?

Mr. WILLIAMS. I do not. May I ask the examiner?

Senator FRELINGHUYSEN. No; I want you to answer. You do not know whether it is a corporation or a partnership?

Mr. WILLIAMS. I do not know exactly the form of the association.

Senator FRELINGHUYSEN. If it were a partnership, could it issue bonds?

Mr. WILLIAMS. I think that there are corporations or associations of a special character incorporated under the laws of Massachusetts, for example.

Senator FRELINGHUYSEN. I do not know, myself.

Mr. WILLIAMS. I do not know whether this is a Massachusetts corporation or not.

The CHAIRMAN. Was there not a statement of the purposes of this company put into the record?

Mr. WILLIAMS. A statement from which no intelligent conclusions could be drawn by me.

Senator FRELINGHUYSEN. Have you made any effort to get a statement from the company? Have you applied to their office for a statement?

Mr. WILLIAMS. I just told you of my unavailing efforts to get some data from Mr. Cooper.

Senator FRELINGHUYSEN. Is Mr. Cooper an officer of the company?

Mr. WILLIAMS. I understand he is a director. He may be vice president; I do not know.

Senator FRELINGHUYSEN. Have you made any formal application at the office of the company for a statement?

Mr. WILLIAMS. I have not personally. I do not know how far the examiners may have gone in their efforts to find out something about the company. I know they have diligently tried to inform themselves, with results which were not entirely satisfactory.

Now, Mr. Chairman and gentlemen, I have shown you the character of the paper which has been circulated and loaded upon these banks here. I have charged that there was a coterie of men who were circulating their obligations and interlacing their loans between the Washington bank and the banks of the Carolinas and Georgia. I have told you that I had a deep mistrust of all of those men; that I could not believe the statements which were made to the comptroller's office by them and in their behalf, and I felt that they were trying to impose upon the local banks and to impose upon the banks and the shareholders of the banks with which they were connected in the States farther South.

I showed you, in February, one of this coterie whose paper was frequently found in the local banks, the United States Savings Bank or the Union Savings Bank here, was a man for whose arrest orders had been issued by the Chicago courts and that he had declined to go on to Chicago to face trial and that the case was still pending until the early part of this year, when some kind of an adjustment was made, or settlement.

I will now read you a statement which has been placed in my hands in the past few days. It is certified to by the clerk of the court:

NORTH CAROLINA,
Columbus County.

In the Superior Court—February Term, 1919.

THE AMERICAN BANK & TRUST CO., PLAINTIFF,
v.
N. P. JENRETTE, DEFENDANT. } Complaint.

The American Bank & Trust Co. is the company of which Thomas E. Cooper is president. Thomas E. Cooper is also a director of the United States Savings Bank of Washington. N. P. Jenrette was, I believe, the acting cashier or officer of the State Bank at Waycross which drew the drafts upon the Wilmington bank which were subsequently taken out or accounted for at the time that Wade Cooper sold his 30,000 bureau bonds to the Waycross Bank.

(Reading:)

The plaintiff complaining of the defendant, alleges:

1. That the plaintiff is a corporation duly chartered and organized under the laws of North Carolina, and doing a general banking business in the city of Wilmington, N. C., and was such at the time hereinafter mentioned.

2. That on the 26th day of September, 1917, the defendant became indebted to the plaintiff in the sum of three thousand one hundred and eighty-five and 08/100 (\$3,185.08) dollars, and to secure the same the defendant executed and delivered to the plaintiff his promissory note in words and figures, to wit:

\$3,185.08.

WILMINGTON, N. C., Sept. 26th, 1917.

This note was dated between the time that the bureau bonds were sold by Wade Cooper to the Waycross Bank at 100, and the time that the United States Bank sold 77,000 to Wade Cooper's brother at 16 or 20.

May 26th, 1918, after day I or we promise to pay to the American Bank & Trust Co., or order at said bank and trust company of Wilmington, N. C., three thousand one hundred and eighty-five and 08/100 dollars, for value received, and discount before and with interest after maturity, at the rate of six per cent per annum, and all collection charges, attorney's fees, etc., having deposited with it as collateral security therefor and for any other indebtedness which may now exist or may hereafter accrue from us to said bank.

Cut #43 par (10) ten shares Waycross Savings & Trust Co.

Cut #26 par (10) ten shares Bank of Floral City.

Cut #22 par (20) ten shares Bank of Floral City.

Which it is hereby authorized to sell without notice, at public or private sale at its option, in case of the nonperformance of this promise, applying the net proceeds to the payment of this note, including the interest and attorney's fees, collection charges, etc., and to any other indebtedness then existing from to said bank and trust company and accounting to for the surplus, if any, in case of deficiency promise to pay said bank and trust company the amount thereof forthwith after such sale, with interest upon amount unpaid at the rate above specified, and in case the above security shall decline in value at any time before the maturity of this obligation, and shall upon request verbal or written, fail to make good the margin, then the said bank and trust company or its assigns may proceed to sell as if this note had matured.

Presentation, demand of payment, protest, and notice of nonpayment or of protest is hereby waived by all parties to this note.

(Signed) N. P. JENRETTE.

Post Office, Tabor, N. C.

5/26/18.

3. That by said promissory note and paper writing set out in article two of this complaint, the defendant obligated to pay to the plaintiff the sum of three thousand and one hundred and eighty-five and 08/100 (\$3,185.08) dollars, on the 26th day of May, 1918, with interest after maturity.

4. That at the time the said note or paper writing above set out, was executed and delivered to the plaintiff by the defendant, the said defendant endorsed, turned over, and delivered the stocks mentioned in the paper writing above alleged for the payment of the said promissory note made by the defendant, N. P. Jenrette, to the plaintiff.

5. That at the maturity of the said note the same was not paid nor any part thereof; although repeated demands had been made on said defendant by the plaintiff for the money due on said note, but defendant has failed, neglected, and refused to pay the money evidenced by said note and still refuses to pay the same.

6. That the plaintiff is still the owner of said note and in the possession of the said stocks, and the full amount of said note is still due and owing to the plaintiff.

Wherefore plaintiff prays judgment—

First. For the sum of \$3,185.08 with interest on the same from the 26th day of May, 1918.

Second. That the said bank stocks mentioned in the complaint be sold by a commissioner to be appointed by this court.

Third. For the cost of this action and for such other and further relief as the plaintiff may be entitled to in the premises.

LEWIS & POWELL,
Attorneys for Plaintiff.

NORTH CAROLINA, *New Hanover County.*

T. E. Cooper, being duly sworn, says: That the plaintiff is a corporation duly chartered and organized and doing business in North Carolina; that he is president of said corporation; that he has read the foregoing complaint, and the same is true to his own knowledge, except as to those matters therein stated on information and belief, and as to those matters he believes to be true.

THOS. E. COOPER, *President.*

Sworn to and subscribed before me this 20th day of March, 1919.

[L. s.]

C. E. BETHEA, *Notary Public.*

My commission expires June 10th, 1920.

NORTH CAROLINA, *Columbus County.*

I, J. L. Memory, clerk Superior Court, in and for said county and State, do hereby certify that the foregoing, or annexed, four sheets, is a true and correct copy of the original complaint as now on file in my said office.

Witness my hand and seal, this 30th day of June, 1919.

[SEAL.]

J. L. MEMORY,
Clerk Superior Court.

Here is the answer:

STATE OF NORTH CAROLINA,
Columbus County.

AMERICAN BANK & TRUST COMPANY }
v. } Answer.
N. P. JENRETTE.

The defendant, answering the complaint, says:

First. That he admits article one of the complaint to be true.

Second. That he admits article two of the complaint to be true, except that it is subject to the qualifications set forth in the further defense to this section.

Third. Answering the third allegation, the defendant admits the same to be true, except that the same is subject to the qualifications set forth in the further defense.

Fourth. Answering the fourth allegation, the defendant denies the same, and to the contrary avers that while he admits that he endorsed the stocks mentioned in the said paper-writing, he did not turn over and deliver the same to the plaintiff, as they were already then in the possession of the plaintiff, and that he simply signed the note and endorsed the stock which was presented to him, the same being already in the possession of the plaintiff.

Fifth. The defendant admits that at the maturity of the said note the same was not paid, but denies that repeated demands have been made on the defendant for the payment of the said note, but admits that he has been requested to renew the same from time to time and has failed to renew the same from the maturity of the said note.

Sixth. Answering the sixth allegation, the defendant says that he has no knowledge or information sufficient to form a belief as to the truth of the said article, and therefore asks that plaintiff be put to strict proof of the same.

For a further defense of this action, the defendant says: That while this defendant is nominally the maker of the promissory note sued on in this action, that he is neither morally nor equitably the debtor thereunder, but the true debtors are Thomas E. Cooper, the president of the plaintiff bank—

And at the present time, gentlemen, a director of the United States Savings Bank—

and L. J. Cooper, his brother, and that the said note was given for the accommodation and benefit and advantage of the said Thomas E. Cooper and L. J. Cooper, as is hereinafter detailed; that this defendant, in the year 1914, or thereabouts, represented the said Thomas E. Cooper and L. J. Cooper, in the States of Georgia and Florida, as an agent, confidential and personal friend, in assisting in conducting, together with L. J. Cooper, the business of the Waycross Savings & Trust Co., the State Bank of Waycross, the Herald Publishing Co., the Waycross Street Railroad Co., and the Bank of Floral City, in the State of Florida;—

One of the banks whose stock appears to have been pledged as security for the loan.—

that during the said year all of the said several institutions or corporations became utterly and notoriously insolvent, and upon public investigation being made the condition of the said several institutions began seriously to reflect upon the business ability, integrity, and character of the said L. J. Cooper and his brother, Thomas E. Cooper, and the Cooper family; that in order to save an exposure and prevent any such reflection, this affiant, who was a first cousin and confidential employee of the said Thomas E. Cooper and L. J. Cooper, was induced by them to execute in his name, for which he was in no respect personally liable, and for their benefit and accommodation, notes aggregating nearly one hundred thousand dollars;—

I pause here, gentlemen, to mention that among the securities which were so highly praised by Mr. Wade Cooper, found in the portfolio of the United States Savings Bank here by one of the examiners, was \$16,000 of Jenrette paper. Possibly it may have been a part of that \$100,000 on which he said he owed nothing.

Senator GRONNA. Is this statement you are reading now a statement made by Mr. Jenrette?

Mr. WILLIAMS. Yes, sir.

(Continuing reading:)

that on either the said note or the other notes this affiant did not owe one cent personally, but being as aforesaid a first cousin of the said L. J. Cooper and Thomas E. Cooper and a confidential agent and friend—

And I will also say, a first cousin, necessarily to Mr. Wade Cooper who took the notes which I have just referred to and carried them in the local banks—over \$16,000 of notes at one time in the bank.

The CHAIRMAN. Did the bank suffer any loss?

Mr. WILLIAMS. At least some of those Jenrette notes were taken up about the time of the bureau bond transaction—

The CHAIRMAN. You did not answer my question. Did the bank suffer any loss?

Mr. WILLIAMS. Not that I know of, on that note.

The CHAIRMAN. Proceed.

Mr. WILLIAMS (continuing reading):

confidential agent and friend, he allowed them to use him and his name as a scapegoat to relieve them from the onus and reflection that arose from the said negligent conduct of the business of the said several institutions; that when this defendant signed the said note sued on in this action the note was brought to him by the said Thomas E. Cooper and L. J. Cooper, together with certain stocks mentioned in the said note, none of which had this defendant theretofore owned and in nine of which he had any interest whatsoever, and the said Thomas E. Cooper and L. J. Cooper requested the defendant to execute the said note and endorse the said stock for them, and he did so, they taking the same and using it or discounting it in some way in the American Bank & Trust Co.; that this defendant in this transaction never asked or requested the American Bank & Trust Co. to lend him a cent; that the money was not loaned to him actually and what became of the money this defendant does not know, as the said Thomas E. Cooper and L. J. Cooper managed the same entirely, he simply allowing them to use his name as a figurehead; that this defendant does not owe the said debt

5. That at the maturity of the said note the same was not paid nor any part thereof; although repeated demands had been made on said defendant by the plaintiff for the money due on said note, but defendant has failed, neglected, and refused to pay the money evidenced by said note and still refuses to pay the same.

6. That the plaintiff is still the owner of said note and in the possession of the said stocks, and the full amount of said note is still due and owing to the plaintiff.

Wherefore plaintiff prays judgment—

First. For the sum of \$3,185.08 with interest on the same from the 26th day of May, 1918.

Second. That the said bank stocks mentioned in the complaint be sold by a commissioner to be appointed by this court.

Third. For the cost of this action and for such other and further relief as the plaintiff may be entitled to in the premises.

LEWIS & POWELL,
Attorneys for Plaintiff.

NORTH CAROLINA, *New Hanover County.*

T. E. Cooper, being duly sworn, says: That the plaintiff is a corporation duly chartered and organized and doing business in North Carolina; that he is president of said corporation; that he has read the foregoing complaint, and the same is true to his own knowledge, except as to those matters therein stated on information and belief, and as to those matters he believes to be true.

THOS. E. COOPER, *President.*

Sworn to and subscribed before me this 20th day of March, 1919.

[L. s.]

C. E. BETHEA, *Notary Public.*

My commission expires June 10th, 1920.

NORTH CAROLINA, *Columbus County.*

I, J. L. Memory, clerk Superior Court, in and for said county and State, do hereby certify that the foregoing, or annexed, four sheets, is a true and correct copy of the original complaint as now on file in my said office.

Witness my hand and seal, this 30th day of June, 1919.

[SEAL.]

J. L. MEMORY,
Clerk Superior Court.

Here is the answer:

STATE OF NORTH CAROLINA,
Columbus County.

AMERICAN BANK & TRUST COMPANY
v. } Answer.
N. P. JENRETTE.

The defendant, answering the complaint, says:

First. That he admits article one of the complaint to be true.

Second. That he admits article two of the complaint to be true, except that it is subject to the qualifications set forth in the further defense to this section.

Third. Answering the third allegation, the defendant admits the same to be true, except that the same is subject to the qualifications set forth in the further defense.

Fourth. Answering the fourth allegation, the defendant denies the same, and to the contrary avers that while he admits that he endorsed the stocks mentioned in the said paper-writing, he did not turn over and deliver the same to the plaintiff, as they were already then in the possession of the plaintiff, and that he simply signed the note and endorsed the stock which was presented to him, the same being already in the possession of the plaintiff.

Fifth. The defendant admits that at the maturity of the said note the same was not paid, but denies that repeated demands have been made on the defendant for the payment of the said note, but admits that he has been requested to renew the same from time to time and has failed to renew the same from the maturity of the said note.

Sixth. Answering the sixth allegation, the defendant says that he has no knowledge or information sufficient to form a belief as to the truth of the said article, and therefore asks that plaintiff be put to strict proof of the same.

For a further defense of this action, the defendant says: That while this defendant is nominally the maker of the promissory note sued on in this action, that he is neither morally nor equitably the debtor thereunder, but the true debtors are Thomas E. Cooper, the president of the plaintiff bank—

And at the present time, gentlemen, a director of the United States Savings Bank—

and L. J. Cooper, his brother, and that the said note was given for the accommodation and benefit and advantage of the said Thomas E. Cooper and L. J. Cooper, as is hereinafter detailed; that this defendant, in the year 1914, or thereabouts, represented the said Thomas E. Cooper and L. J. Cooper, in the States of Georgia and Florida, as an agent, confidential and personal friend, in assisting in conducting, together with L. J. Cooper, the business of the Waycross Savings & Trust Co., the State Bank of Waycross, the Herald Publishing Co., the Waycross Street Railroad Co., and the Bank of Floral City, in the State of Florida;—

One of the banks whose stock appears to have been pledged as security for the loan.—

that during the said year all of the said several institutions or corporations became utterly and notoriously insolvent, and upon public investigation being made the condition of the said several institutions began seriously to reflect upon the business ability, integrity, and character of the said L. J. Cooper and his brother, Thomas E. Cooper, and the Cooper family; that in order to save an exposure and prevent any such reflection, this affiant, who was a first cousin and confidential employee of the said Thomas E. Cooper and L. J. Cooper, was induced by them to execute in his name, for which he was in no respect personally liable, and for their benefit and accommodation, notes aggregating nearly one hundred thousand dollars:—

I pause here, gentlemen, to mention that among the securities which were so highly praised by Mr. Wade Cooper, found in the portfolio of the United States Savings Bank here by one of the examiners, was \$16,000 of Jenrette paper. Possibly it may have been a part of that \$100,000 on which he said he owed nothing.

Senator GRONNA. Is this statement you are reading now a statement made by Mr. Jenrette?

Mr. WILLIAMS. Yes, sir.

(Continuing reading:)

that on either the said note or the other notes this affiant did not owe one cent personally, but being as aforesaid a first cousin of the said L. J. Cooper and Thomas E. Cooper and a confidential agent and friend—

And I will also say, a first cousin, necessarily to Mr. Wade Cooper who took the notes which I have just referred to and carried them in the local banks—over \$16,000 of notes at one time in the bank.

The CHAIRMAN. Did the bank suffer any loss?

Mr. WILLIAMS. At least some of those Jenrette notes were taken up about the time of the bureau bond transaction—

The CHAIRMAN. You did not answer my question. Did the bank suffer any loss?

Mr. WILLIAMS. Not that I know of, on that note.

The CHAIRMAN. Proceed.

Mr. WILLIAMS (continuing reading):

confidential agent and friend, he allowed them to use him and his name as a scapegoat to relieve them from the onus and reflection that arose from the said negligent conduct of the business of the said several institutions; that when this defendant signed the said note sued on in this action the note was brought to him by the said Thomas E. Cooper and L. J. Cooper, together with certain stocks mentioned in the said note, none of which had this defendant theretofore owned and in nine of which he had any interest whatsoever, and the said Thomas E. Cooper and L. J. Cooper requested the defendant to execute the said note and endorse the said stock for them, and he did so, they taking the same and using it or discounting it in some way in the American Bank & Trust Co.; that this defendant in this transaction never asked or requested the American Bank & Trust Co. to lend him a cent; that the money was not loaned to him actually and what became of the money this defendant does not know, as the said Thomas E. Cooper and L. J. Cooper managed the same entirely, he simply allowing them to use his name as a figurehead; that this defendant does not owe the said debt

(Continuing reading):

that this defendant states that Thomas E. Cooper, the president of the plaintiff bank, who verified the complaint in this cause, and L. J. Cooper, a brother of the said Thomas E. Cooper, are the true and real debtors on the said note, and not this defendant; that this defendant, in the States of Georgia and Florida, represented the said Thomas E. Cooper and L. J. Cooper in the capacity of agent and personal friend in conducting, or assisting in conducting, together with L. J. Cooper, the business of the Waycross Savings & Trust Co., the State Bank of Waycross, the Herald Publishing Co., the Waycross Street Railway Co., and the Bank of Floral City, in the State of Florida; that during the year 1914 all of the said several institutions or corporations became insolvent, and, upon public investigation, began seriously to reflect upon the business ability, integrity, and character of the said L. J. Cooper and Thomas E. Cooper, and the Cooper family; that in order to save an exposure and to prevent any such reflection, this affiant was induced by Thomas E. Cooper and L. J. Cooper to execute in his name the note sued on in the complaint, together with other notes aggregating nearly one hundred thousand dollars—

The CHAIRMAN. I would like to get this clear as we go along. You said many of these banks failed. He has not stated what banks. This is the statement of Jenrette?

Mr. WILLIAMS. He was an officer of one of the banks that failed.

The CHAIRMAN. Did any of the banks with which Mr. L. J. Cooper was connected or Thomas E. Cooper, or any of the family, fail?

Mr. WILLIAMS. I am coming to an illustration of that in a few minutes if you will kindly allow me to proceed in an orderly way.

The CHAIRMAN. Just answer my question.

Mr. WILLIAMS. I think that Mr. L. J. Cooper was an officer of this very State bank which failed. That is my impression. You can have it verified.

The CHAIRMAN. You do not know whether any of the institutions with which the Coopers were connected failed or not?

Mr. WILLIAMS. Yes; I do know that a number of the banks were closed out.

The CHAIRMAN. In which they were officers?

Mr. WILLIAMS. In which they were officers or guiding and directing spirits. I have not them ready at hand, but I can get a tabulated statement of the official connection of the Cooper family with failed banks, and if you would like me to do so I can present you with such a schedule.

The CHAIRMAN. I did not know but what you knew.

Mr. WILLIAMS. I have not it at hand in a detailed statement. Here is the affidavit of Jenrette, an officer of the bank, which he states became notoriously insolvent.

(Continuing reading:)

that during the year 1914 all of the said several institutions or corporations became insolvent—

That included three banks—

became insolvent, and, upon public investigation, began seriously to reflect upon the business ability, integrity, and character of the said L. J. Cooper and Thomas E. Cooper and the Cooper family; that in order to save an exposure and to prevent any such reflection, this affiant was induced by Thomas E. Cooper and L. J. Cooper to execute in his name the note sued on in the complaint, together with other notes aggregating nearly one hundred thousand dollars; that in the said notes and in the note sued on, this affiant owed not one cent personally, but being a relative, to wit, a first cousin of the said L. J. Cooper and Thomas E. Cooper, and in order to protect the family name, he allowed the said Thomas E. Cooper and L. J. Cooper to use him as a scapegoat to to save the reputation of the said Coopers; that he executed the said note and signed indorsements for the stock mentioned therein as collateral, not one share of which he owned, but which was transferred to him by the said Coopers, or at their instance, and

turned over by them and discounted in the American Bank & Trust Co., of Wilmington, N. C., in affiant's name; that the said Thomas E. Cooper, president of the American Bank & Trust Co., knew every detail of the transaction hereinbefore alluded to, advised, concurred in, and induced this defendant to sign and execute the said note for him and the said L. J. Cooper, and it is absolutely necessary, in order to have a complete determination of the transaction, that the said Thomas E. Cooper and L. J. Cooper be made parties defendant in this action, it being the intent and purpose of the law to determine the entire controversy in one action; that this affiant says that the American Bank & Trust Co., through its president, Thomas E. Cooper, had full notice of all the facts detailed, and that therefore this matter is in no sense a surprise to them, but a matter of which, as stated above, they were fully aware from the time the said note was originally executed and from time to time renewed. That the said Thomas E. Cooper and L. J. Cooper agreed to hold this affiant harmless from any liability on the said note and that they would pay the same and not subject him to the payment when the same should mature.

For the above reasons, therefore, this affiant prays the court to have the said Thomas E. Cooper and L. J. Cooper made parties defendant to this action and that they be allowed to file an answer together with him in this cause if they so desire.

N. P. JENRETTE.

Subscribed and sworn to before me this 10th day of April, 1919.

J. L. MEMORY, C. S. C.

STATE OF NORTH CAROLINA, *Columbus County*.

AMERICAN BANK & TRUST CO.,
v.
N. P. JENRETTE. } Notice.

To the plaintiff above named:

Please take notice: That the defendant will move, before his honor T. H. Calvert, judge, at the opening of court at Whiteville, N. C., on Monday, the 21st day of April, 1919, to have Thomas E. Cooper and L. J. Cooper made parties defendant in this cause on the affidavit hereto annexed, of which the plaintiff should take due notice.

This 9th day of April, 1919.

SCHULKEN & TOON,
JOHN D. BELLAMY & SON.
Attorneys for the Defendant.

NORTH CAROLINA, *Columbus County*.

I, J. L. Memory, clerk superior court in and for said county and State, do hereby certify that the foregoing and annexed three sheets is a true and correct copy of the original affidavit, as now on file in my said office.

Witness my hand and official seal, this 30th day of June, 1919.

J. L. MEMORY,
Clerk, Superior Court.

I have another communication in connection with this matter that I will lay before you.

The CHAIRMAN. Do you know whether the Coopers were made parties to this cause?

Mr. WILLIAMS. I was going to bring another statement forward in that same connection.

The CHAIRMAN. Have you finished with this affidavit?

Mr. WILLIAMS. No, sir; not yet.

Mr. Chairman and gentlemen, it appears to have become known in North Carolina that a copy of this had been furnished by the court to me, and yesterday we received this letter from Robert Ruark, attorney at law, Wilmington, N. C.—William B. Campbell—dated July 12, 1919, three days ago:

[Treasury Department, Office of Comptroller of the Currency. National Bank Examiner D. C. Borden.
507 Post Office Building.]

ATLANTA, GA., June 23, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: There is inclosed herewith a certified copy of indictment against L. J. Cooper in the Superior Court of Echols County, Ga.

This indictment charges that L. J. Cooper, the president of the Bank of Statenville, unlawfully caused that institution to become fraudulently insolvent and the indictment is for felony.

Respectfully,

D. C. BORDEN,
National Bank Examiner.

Here is the indictment:

GEORGIA, *Echols County.*

In the superior court of said county.

The grand jurors selected, chosen, and sworn for the county of Echols, to wit:

J. P. Padgett, foreman, pro tem.; W. C. Howell, L. B. McMichael, J. F. Parrish, James Burnett, W. O. Valentine, R. Tomlinson, W. T. Green, M. E. Cowart, D. C. Carter, T. D. Herndon, John Wetherington, W. M. Moore, J. J. Hughes, James Touchton, John Rewis, D. W. Barnes.

In the name and behalf of the citizens of Georgia, charge and accuse L. J. Cooper, of the county and State aforesaid, with the offense of felony—

The CHAIRMAN. Well, that is—

Mr. WILLIAMS. May I finish this?

The CHAIRMAN. Yes; but I thought you were going to tell us now, what banks were insolvent.

Mr. WILLIAMS. This is one.

The CHAIRMAN. You mean it has been put in the hands of a receiver?

Mr. WILLIAMS. I do not know whether there is enough left to put in the hands of a receiver.

The CHAIRMAN. You do not know anything about it?

Mr. WILLIAMS. I am reading this for what it states. (Continuing reading):

For that the said L. J. Cooper, on the 5th day of January, in the year of our Lord one thousand nine hundred and eighteen, in the county aforesaid, did then and there, unlawfully and with force and arms, being president of the Bank of Statenville, a chartered bank incorporated under the laws of said State, and as such officer of said chartered bank, he being by law charged with the fair and legal administration of its affairs, the said Bank of Statenville then and there pending and during the said official charge and responsibility of the said L. J. Cooper, did then and there be and become fraudulently insolvent.

Contrary to the laws of said State, the good order, peace, and dignity thereof.

Echols Superior Court, September adjourned term 1918.

C. E. HAY, *Solicitor General.*

Special presentment.

May I just finish reading this?

The CHAIRMAN. No.; the committee will have to suspend now. The committee will take a recess until 2.30 o'clock this afternoon.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTERNOON SESSION.

The committee reconvened, pursuant to the taking of recess, at 2.40 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, when we adjourned I was engaged in reading an affidavit in regard to the indictment of L. J. Cooper. I had finished it except the certificate of the clerk of the court. I want to simply complete it.

GEORGIA, *Echols County*.

I, W. D. Clayton, clerk superior court of said county, do hereby certify that the above and foregoing is a true and correct copy of indictment returned against L. J. Cooper, at the September adjourned term of Echols superior court, as same appears of file in this office.

Witness my hand and official seal at Statenville, Echols County, Georgia, this 4th day of June, A. D. 1919.

W. D. CLAYTON [SEAL].

Clerk Superior Court, Echols County, Ga.

Mr. Chairman, you made inquiry of me at the hearing this morning as to whether I had endeavored to find out what the real value of the bureau bonds was. In that connection I wish to read the inclosed copy of a letter, which was addressed on May 29, 1919, to the board of directors of the United States Savings Bank, Washington, D. C., in which, in addition to referring to that subject, I answered other questions, I think, which were raised this morning as to the present condition of the United States Savings Bank, which I think pertinent at the moment, perhaps.

BOARD OF DIRECTORS
UNITED STATES SAVINGS BANK,
Washington, D. C.—

The CHAIRMAN. Will you call attention to the salient points, and put the whole document in?

Mr. WILLIAMS. I would like to read it. It is not very long.

The CHAIRMAN. All right.

Mr. WILLIAMS. It reads:

· TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, D. C., May 29, 1919.

BOARD OF DIRECTORS,
UNITED STATES SAVINGS BANK,
Washington, D. C.

GENTLEMEN: The report of an examination of your bank made as of April 10, inclosing a copy of the minutes of the meeting of the board held with the examiners at the close of the examination, has been received.

Your attention is directed to the following matters subject to criticism:

Loans exceeding 10 per cent of the capital and surplus.—Six loans and balances with nonmember banks in excess of 10 per cent of the bank's capital and surplus were held on the day of the examination, including the loans to members of a group upon interchanged indorsements made apparently for the purpose of acquiring and carrying stock of the Union Savings Bank of this city, of which President Wade H. Cooper of your bank is also president. Some of the loans are secured by stock of the Union Savings Bank.

The aggregate amount of the loans, etc., made exceeding 10 per cent of the capital and surplus is \$175,065.09, or nearly double the amount of your capital.

One of the loans exceeding the 10 per cent limit which was excessive at the previous examination (Mount Pleasant Garage Co.) has been permitted to increase since that time.

Your bank has been repeatedly advised of the regulations of this office in regard to restricting loans to one party or interest to 10 per cent of the capital and surplus, which is the restriction imposed by law upon national banks.

This record indicates the continued disregard of your officers and directors of regulations of this office.

You are again advised that all loans should be reduced to an amount not to exceed 10 per cent of the capital and surplus, and you are requested to explain why the loan to the Mt. Pleasant Garage Co. was permitted to increase. You are requested to state over the individual signatures of all of your directors, whether or not in future you will restrict your loans to office requirements and what steps will be taken to reduce the loans now held.

Overdue paper.—Loans amounting to \$48,289.46, are reported overdue. This sum constitutes nearly 50 per cent of the bank's capital, and immediate efforts should be made to collect the amount. These include a note of J. G. Faircloth, \$10,502, seven months overdue, indorsed by W. B. Cooper, brother of your president, which should be collected.

Slow or doubtful assets.—Such assets are reported aggregating \$36,460.01. These items should continue to receive attention with a view to collection or other proper adjustment.

Real estate loans.—Notwithstanding previous admonitions, your bank still holds loans amounting to \$24,353.69, secured in whole or in part by second liens on real estate or trusts on unimproved property, one of which is to Caroline B. Cooper, wife of Wade H. Cooper, president of your bank. This loan amounts to \$4,500 and has been previously criticized, having originally been taken into the bank on a dummy loan signed by Miss Hatfield, clerk in the Union Savings Bank, and living in the home of Wade H. Cooper, president.

Your attention has been previously called to such unsatisfactory assets, and special efforts should be made to comply with instruction in this respect.

In no event should additional loans be made upon the security of second trusts.

Outside paper.—At the time of examination your bank held paper amounting to \$48,500, taken from the American Bank & Trust Co. of Wilmington, N. C. (of which Thomas E. Cooper, director of your bank, is president), and bearing its indorsement. In addition, your bank had on deposit with that trust company \$18,152.90, making a total loan of \$66,652.90, for which the American Bank & Trust Co., of Wilmington, is directly or indirectly liable. This sum amounts to 66 per cent of the entire capital of your bank. The examiners state that the open account due your bank from the trust company is rarely, if ever, less than 10 per cent of your bank's capital and surplus.

The makers of the notes taken from the trust company should either be known to the directors of your bank as good for their obligations or else the notes should be supported by such satisfactory credit data as to warrant the extension of credit. In any event the balance due from that trust company on open account and unsecured should be reduced.

The paper taken from the American Bank & Trust Co., embraces a considerable amount of loans which can not properly be classed as "commercial paper," which should be required to be secured by collateral before being discounted by you and which bear the indication of being merely "accommodation paper."

Current work.—The examiners report that the attention of the bank's executive officers has, at previous examinations, been called to the unsatisfactory method used in handling the bank's current business. A large part of the daily current business is not entered upon the books until the following day.

This is a dangerous practice and makes it possible for errors or discrepancies in the bank's cash to be carried with little chance of discovery. It is also difficult if not impossible, to make a correct report of the bank's condition as of the close of business of a past date, as required by law.

You are advised that these unbusinesslike and loose practices should be remedied.

Usurious interest rates.—The report of the examiners indicates that your bank continues the exaction of usurious rates of interest, some charges being made directly and some indirectly by commission or otherwise.

You are requested to inform this office specifically what the policy of your bank will be in future as to confining interest rates to the legal amount.

A special report in connection with the rates of interest exacted by you on loans, has recently been requested of your bank but has not yet been furnished.

Bonds of the Bureau of National Literature.—The comptroller wrote the directors of your bank fully on March 19, 1919, in connection with the sale of \$77,700 of these bonds to one of your directors in November, 1917, at 16 cents on original par value.

You are reminded of the warning which Examiner Trimble gave to the board of directors at the time of the sale, of which they are fully advised, that as he was not

Mr. WILLIAMS. It reads:

JUNE 11, 1919.

COMPTROLLER OF THE CURRENCY,
Treasury Department, Washington, D. C.

DEAR SIR: Replying to your office letter of May 29, 1919, as directors of the United States Savings Bank, we reply as follows.

Your examiner was mistaken in reporting that our loans in excess of 10 per cent of the capital and surplus were \$175,065.09, or "nearly double the amount of your capital." As a matter of fact, our loans in excess of 10 per cent did not approach anywhere near that sum. And to-day our loans in excess of the 10 per cent limit are only \$12,821.19.

In reply to your inquiry regarding the Mount Pleasant garage loan, we beg to say that they are good customers of ours and their paper is perfectly good, and our committee authorized the granting of a small temporary loan which made it in excess of 10 per cent, but which has since been reduced within the 10 per cent limit.

Replying to your inquiry as to whether or not we will restrict our loans to your office requirements, we beg to say that we have earnestly endeavored to conform to the law and the requirements of your office, and will endeavor to continue to do so whenever and wherever such requirements are compatible with the best interests of this bank.

Please note that the comptroller's rules and regulations will be observed when in their judgment they are compatible with the best interests of the bank.

The CHAIRMAN. Just read the letter, Mr. Williams.

Mr. WILLIAMS. Continuing.

Our loans exceeding the 10 per cent limit have been reduced to a minimum, as we only have three loans in excess of the 10 per cent limit at this time.

You state that we have overdue paper amounting to \$48,289.46, according to the report of your examiner. There is absolutely no criticism of any of this paper, as it is all perfectly good, and most of it has already been put in current shape. A great deal of this paper classed as overdue is demand paper, secured by perfectly good collateral, but was classified by your examiner as overdue, because the quarterly interest had not been collected.

The note of J. G. Faircloth, to which you refer specifically, as your examiner knew at the time, was overdue for the reason that a note of another party had been accepted as a substitute, with the understanding that the note of J. G. Faircloth, indorsed by W. B. Cooper—

Brother of the president—

would not be surrendered until the payment of the other note, which is in the hands of counsel for collection.

You class as slow or doubtful assets, paper aggregating \$36,460.01. As a matter of fact the examiner's recent report in our hands shows that he only classified as doubtful about \$4,736.50, consisting of depreciation in securities \$2,736.50 and loans on real estate \$2,000. We do not think there will be any loss whatever on either one of these items, as we think we have appreciation sufficient to cover all depreciation in securities and the estimated loss of the examiner in real estate is a mistake, as he classifies it as second deed of trust, when as a matter of fact, we own the houses and have already sold one of the same, while the other house is bringing in sufficient rent to carry all charges and reduce the trust.

The examiner is mistaken in reporting the number of loans as secured by unimproved real estate, as we have heretofore shown. The loan of W. Murray Baechtel for \$1,900, now \$1,100, is secured by an apartment.

The loan of Victor J. Evans of \$4,500 is secured by 75 shares of stock on the Ordnance Building Corporation, which is a very valuable building.

The loan of H. W. Bonnette of \$440 is regarded by us as absolutely good without any security any time.

The note of Caroline B. Cooper of \$4,500 is secured by a perfectly good improved property. It was explained to the examiner that this property was bought in the name of another party, for the reason that it was believed that it could be bought cheaper. His statement that it was a dummy loan is untrue, as the note has never been in this bank in any other form except in the name of Caroline B. Cooper.

The loan of James L. Karrick, for \$6,921.19, has been reduced from about \$14,000, and is perfectly good.

The loan of Lewis A. Alexander for \$812.50, is secured by two houses, one of which has recently been sold for \$1,000.

The loan of \$1,000 to R. and Marie Allen, is perfectly good.

The Fort Myer Heights Land Co., for \$3,500 was originally \$10,000 and has been reduced to \$3,500.

The loan of Theresa Holt for \$50 has been paid in full.

The loan of Marie A. Fitzgibbon of \$130, is secured by real estate worth several times the value of the loan.

The loan of Bettie A. Heal of \$600, is believed to be perfectly good, as the same is amply secured by real estate and is continually reduced. Mrs. Heal is perfectly good, without any security, for this amount.

The notes purchased from the American Bank & Trust Co., as heretofore shown, consists of the best commercial paper, we believe, that can be found in any part of the country, and, as before stated, has always been paid promptly at maturity. We endeavor to keep a balance with them within the 10 per cent limit, but by charging paper to their account at its maturity sometimes increases the balance carried with them, owing to our failure to draw on them for the amount charged to their account.

We would be glad to have you indicate to us what part of this paper bears the indication of "accommodation paper," and why.

With reference to your criticism of handling the bank's current business, we beg to say that this bank keeps open until 5.30 for the accommodation of its customers, and the officers endeavor to make settlement every day at 3 o'clock. Should the examiner come in here at that hour, we would have no trouble whatever in making a correct report of the bank's condition—no more trouble than in any other bank at any other time fixed for closing the bank's business.

We deny that we have been guilty of exacting usurious rates of interest. We collect commissions on real estate loans, as is customary in the District of Columbia, and sometimes purchase paper at a reasonable rate of discount, which we are advised is perfectly legal.

Again referring to the bonds of the Bureau of National Literature. We explained to you in detail in our letter of April 9, 1919, that these bonds were sold upon the recommendation of Examiner Trimble, and not for 16 cents, as you state in your letter, but at 20 cents, in addition to taking out a lot of assets which had been criticised by Examiner Trimble. This brings the price paid for these bonds, by Director Thomas E. Cooper, nearer 50 cents or 60 cents on the dollar than either 16 cents, or 20 cents, as stated in your two letters, as part of the assets taken out by Director Thomas E. Cooper had already been charged off as a loss.

We also showed you in that letter, and in the affidavits attached, that our president had insisted that these bonds were worth a great deal more than Examiner Trimble valued them at, Examiner Trimble always insisting that they should be disposed of.

You will pardon us for expressing our surprise at your statement that this bank is still in a very unsatisfactory condition and has been on the special list for frequent examinations, especially in view of the fact that Examiner Trimble has recently stated the contrary. In fact, at the last examination, he only asked us to charge off \$47.

You will also pardon us for stating that your criticism of our management and your criticism of our officers is at variance with the record of the bank and the statement of Examiner Trimble. It may be that the examiners have "recently" criticized the management, but certainly not until "recently."

We have a bank with over two million of deposits, with a surplus and undivided profits of seventy thousand, paying 8 per cent dividend, earning about 20 per cent, with the infinitesimal sum of \$47 requested to be charged off, but notwithstanding this, you criticize the management and the officers. We respectfully submit that any fair examination will show the condition of the bank to be equal to the condition of the very best in any part of this country.

Respectfully submitted.

WADE H. COOPER.
WILLIAM D. BARRY.
WILBUR H. ZEPP.
CHARLES A. GOLDSMITH.

R. A. DORE.
JOHN J. SHEEHY.
W. E. G. PENNY.
WM. R. DELASHMUTT.

W. W. ANDERSON,
Geo. A. ROCK,
Directors since January, 1918.

Before reading the reply from the office to this letter, I wish to comment upon the statement here, a flat misstatement, in which he says:

We deny that we have been guilty of exacting usurious rates of interest. We collect commissions on real estate loans, as is customary in the District of Columbia, and sometimes purchase paper at a reasonable rate of discount, which we are advised is perfectly legal.

Their own special report submitted to the office shows rates ranging from 7½ to 26 per cent, and we have evidence of still higher rates being charged by the bank.

The reply which was sent by the office, under date of June 20, 1919, is as follows:

JUNE 20, 1919.

BOARD OF DIRECTORS,

United States Savings Bank, Washington, D. C.

GENTLEMEN: Director W. W. Anderson, of your bank, left with this office on June 12 your reply to office communication of May 29.

In this letter you state: "Your examiner was mistaken in reporting that our loans in excess of 10 per cent of the capital and surplus were \$175,065.09, or 'nearly double the amount of your capital.' As a matter of fact our loans in excess of 10 per cent did not approach anywhere near that sum."

As clearly indicated in the copy of the report sent you by the examiners, the following loans and accommodations were reported as being in excess of 10 per cent of your capital and surplus, and the total of these loans and accommodations is, as stated in office letter of May 29, \$175,065.09.

And here is a list of the loans. I should be pleased to read them if you desire the loans read.

The CHAIRMAN. It is all going to be printed, Mr. Williams. There are only a few members of the committee here.

Mr. WILLIAMS. I will not read the detailed list of loans.

The CHAIRMAN. You can put the whole letter in and we will read it. Did you get a reply to that?

Mr. WILLIAMS. I am not advised of a reply to this, Senator.

The CHAIRMAN. Suppose you put that in the record.

Mr. WILLIAMS. This shows a succession of inaccurate statements.

The CHAIRMAN. The letter will show.

(The letter is printed in the record in full, as follows:)

JUNE 20, 1919.

BOARD OF DIRECTORS,

United States Savings Bank, Washington, D. C.

GENTLEMEN: Director W. W. Anderson, of your bank, left with this office on June 12, your reply to office communication of May 29.

In this letter you state: "Your examiner was mistaken in reporting that our loans in excess of 10 per cent of the capital and surplus were \$175,065.09 or 'nearly double the amount of your capital.' As a matter of fact our loans in excess of 10 per cent did not approach anywhere near that sum."

As clearly indicated in the copy of the report sent you by the examiners, the following loans and accommodations were reported as being in excess of 10 per cent of your capital and surplus, and the total of these loans and accommodations is, as stated in office letter of May 29, \$175,065.09:

A. A. Chapin.....	\$9,000.00	Henry P. Elliott.....	\$16,000.00
A. A. Chapin and Geo. P. Sacks.....	15,000.00	John W. Lewis.....	14,000.00
		Do.....	500.00
	<u>24,000.00</u>		<u>14,500.00</u>
Mount Pleasant Garage Co....	25,000.00	F. H. Kramer.....	6,000.00
Do.....	1,500.00	Simon Oppenheimer.....	3,755.50
	<u>26,500.00</u>	F. H. Kramer.....	3,755.50
James L. Karrick.....	8,300.00	Paul Pearson.....	2,030.00
Do.....	6,921.19	H. B. Denham.....	6,000.00
Martin T. Dryden, accommodation maker for Jas. L. Karrick.....	10,000.00	Norman Fischer.....	5,150.00
	<u>25,221.19</u>		<u>26,691.00</u>
Fulton R. Gordon.....	24,000.00	Amount due from the American Bank & Trust Co., Wilmington, N. C.....	18,152.90
			<u>175,065.09</u>

The examiners inform this office that they have in their office complete transcript of all of these loans, as well as complete transcripts of all other loans held by your bank at the time of the examination, and that these loans were all then held as assets of the bank and were discussed with the officers and directors of the bank as assets of the bank. The examiners further inform this office that these loans bore the numbers indicating that they were regarded as valid assets of the bank and that if any of them were not so held then the loans were short just to that extent, and that the bank's officers deceived them in representing that these loans, which were held with other loans in the bank's note files, were valid assets of the bank.

The examiners also inform this office that the loans were balanced from the original notes; the transcripts of the notes were then made and called back and compared with the original lists and found to agree, thus conclusively proving that the examiners were not "mistaken," but that your claim is unfounded.

The amount of the balance, \$18,152.90, due from the American Bank & Trust Co., Wilmington, N. C., was ascertained from the books of your bank and was verified by the examiners in the usual way.

You state that "our loans in excess of the 10 per cent limit are only \$12,921.19." This must be an error, as a loan of that amount would not be in excess of 10 per cent of your capital and surplus, your limit being \$14,000.

The examiners inform this office that toward the close of this examination President Cooper advised them that several of these excessive loans had been taken out, and when the examiners inquired of him as to where they had been taken he replied that they had been transferred to the Union Savings Bank of this city, of which he is also president.

You state: "Replying to your inquiry as to whether or not we will restrict our loans to your office requirements, we beg to say that we have earnestly endeavored to conform to the law and the requirements of your office, and will endeavor to continue to do so, whenever and wherever such requirements are compatible with the best interests of this bank. Our loans exceeding the 10 per cent limit have been reduced to a minimum, as we only have three loans in excess of the 10 per cent limit at this time." It is noted in the foregoing quotation that you do not reply to the inquiry made in office letter of May 29, as to whether or not you will in future restrict your loans to the 10 per cent limitation to one borrower, but it is apparent from your statement that you will only observe such requirements when in your judgment compatible with the best interests of your bank.

The report of the examination shows that your bank held 24 past-due notes aggregating \$48,289.46, and that only 8 of these loans, aggregating \$17,120.43, were demand loans classed as overdue on account of default in interest. The examiners inform this office that some of these loans have been criticised at previous examinations of this bank and that they were all a subject of criticism or discussion at the time of this examination.

You state: "The note of J. G. Faircloth, to which you refer specifically, as your examiner knew at the time, was overdue for the reason that a note of another party had been accepted as a substitute, with the understanding that the note of J. G. Faircloth, endorsed by W. B. Cooper" (brother of your president) "would not be surrendered until the payment of the other note, which is in the hands of counsel for collection." The examiners' report shows that the note of J. G. Faircloth, \$10,502, dated June 5, 1918, due October 15, 1918, was held by your bank, and there was held

as collateral to same a note of W. F. Hale and M. A. Bayles, \$10,500, which note was indorsed by J. N. Garber, B. F. Garber, Judson J. Whitehead, and George T. Baird. This note, held as collateral, was dated August 21, 1918, and fell due November 19, 1918, and was, therefore, also past due. The examiners inform this office that they asked President Cooper why he had not called on his brother, W. B. Cooper, who is the indorser on the Faircloth note for payment and that President Cooper replied that he wanted to collect the amount from Hale and Bayles, in order to "protect" his brother, and that he further said that his brother was abundantly good for the amount. The Hale and Bayles note was due on November 19, 1918, but there do not appear to have been any steps taken toward its collection until after the beginning of this examination, when President Cooper exhibited to the examiners a carbon copy of a letter addressed to Attorneys Lyon & Lyon under date of April 11, 1919, instructing them to file suit against Hale and Bayles.

The examiners advised this office that at the time they discussed the above note with the president of the bank no advice was given them that the note of Hale and Bayles had been substituted in the assets of the bank for the note of J. G. Faircloth, if such substitution actually had been made. Whether or not such substitution had been made, the fact still remains that both notes were overdue and were in a very unsatisfactory condition.

Your attention is called to statements made in the next paragraph of your letter in which you refer to "slow and doubtful assets, paper aggregating \$36,460.01." You state: "The estimated loss of the examiner in real estate is a mistake, as he classifies it as a second deed of trust, when as a matter of fact we own the houses." By reference to page 13 of the report of examination, a copy of which was furnished your bank, you will find that the examiners classify as "doubtful" real estate owned to the amount of \$2,000. This amount was not, as you state, classified as a loss. The item was shown in the report under the heading "Real estate owned (other than banking house)," and was shown as ownership of an "equity" in the property.

In your letter you claim that "the examiner is mistaken in reporting the number of loans as secured by unimproved real estate, as we have heretofore shown. The loan of W. Murray Baechtel for \$1,900, now \$1,100, is secured by an apartment."

Office letter of May 29 referred to loans held by your bank, amounting to \$24,353.69, as shown on page 7 of a copy of the report of examination in your possession, which loans were classified as "secured in whole or in part by second deeds of trust and deeds of trust on unimproved suburban lots." The loan, W. M. Baechtel, of \$1,900 was properly included in this schedule, inasmuch as, according to the examiners' report this loan, together with loans to G. W. Bonnette, Caroline B. Cooper, and James L. Karrick, were all secured by second deeds of trust. There is also included in this classification a loan to Victor J. Evans of \$4,500, which is secured by stock of the Ordnance Building Corporation which represents the ownership of ties in real estate subordinate to the outstanding trust or trusts. The loan to Louis A. Alexander, \$812.50, was secured in part by unimproved lots. The loans to R. and Marie Allen, Fort Myer Heights Land Co., Teresa Holt, Marie A. Fitz-Gibbons, and Betty B. Heal were all secured by deeds of trust on unimproved lots.

The examiner's report of the examination of your bank made in January, 1919, shows that at that time your bank held a note of Ellen Hatfield (an employee of the Union Savings Bank, of which Wade H. Cooper is president) of \$10,000, secured by a deed of trust on No. 2026 Sixteenth Street, and that this loan was applied for by Wade H. Cooper, who said that the property was bought for his wife; the loan, however, was made in the name of the above-mentioned employee, and properly classed, under the circumstances, as a "dummy" loan. The examiner informs this office that at that time there were no title papers in the bank or other data that would indicate whether or not this loan was secured by a first deed of trust on the above-mentioned property, and that the bank's officers stated to the examiner that the papers in connection with this loan were in the hands of the title company and that the transaction was in an incomplete state. At the close of that examination, when the examiner called attention to these facts at the board meeting, President Cooper stated that he would have his wife, Caroline B. Cooper, assume the obligation. The examiners inform this office that during the examination of April 10, 1919, your bank held a note of Caroline B. Cooper, wife of your president, for \$4,500, which was secured by a second deed of trust on the above property, and that the officers of the bank informed them that this \$4,500 note was taken in lieu of the "dummy" note originally executed by Ellen Hatfield, after the difference, amounting to \$5,500, had been returned to the bank.

From the information furnished this office by the examiners in regard to the paper purchased from the American Bank & Trust Co., Wilmington, N. C., it does not appear that this paper consists only of "commercial paper," as you state in your letter. This office is advised by the examiners that practically continuous lines of

paper of certain of the makers whose notes are now held have been carried by your bank for years past. The examiners inform this office that they examined carefully into the account kept by your bank with the American Bank & Trust Co., Wilmington, N. C., and that this account shows that the balance maintained with that bank has rarely been within the 10 per cent limit of your capital and surplus and that this balance has been in excess of the 10 per cent limit for months at a time.

The continuous carrying of paper which is unsecured and undorsed, where there is no evidence of such paper having been given in a commercial transaction as commonly understood, would indicate that it is not business paper, or paper of a class eligible for rediscount with Federal reserve banks by member banks, but, on the other hand, should be regarded as accommodation paper or as "capital" loans.

The examiners inform this office that examinations of your bank have been attempted at 3 o'clock in the afternoon, or soon thereafter, and also that examinations have been begun before the bank opened in the morning, and that the work is carried on in such unbusinesslike manner that it is difficult for them to get an exact proof of the cash, for the reason that the transactions subsequent to 3 o'clock of each business day are held over until the following day, occasioning confusion and making in reality two separate settlements of the bank's cash. As stated in office letter of May 29, it is difficult, if not impossible, for the bank to make a correct report of its condition as of the close of business of a past date, as required by law.

You state that you "deny" that you "have been guilty of exacting usurious rates of interest," although this denial is made in the face of your own sworn statements, submitted under date of May 13, containing a list of 228 loans made by your bank at rates of interest ranging from 7½ per cent to more than 31 per cent, while the legal rate in the District of Columbia is 6 per cent.

Examiner Trimble informs this office that he had criticized the bank for carrying the bonds of the Bureau of National Literature as not being a proper investment for the funds of a savings bank, but he also says that he never at any time recommended their sale to Thomas E. Cooper or anyone else at any set price, and on the contrary the record shows indisputably that he clearly and directly warned the bank's officers and the board that if these bonds were sold to any of the Cooper brothers or to anyone else at a lower price than they were found to be worth, after investigation, that in his opinion the directors present and consenting to such sale would be liable for the full amount of the difference between the price at which the bonds might be sold and their actual worth. In order to insure protection to the bank, Examiner Trimble called W. H. Zepp, vice president of the bank, over the phone within a day or two of the examination of November 21, 1917, at which time the sale had been discussed, and cautioned Vice President Zepp in express terms that the bonds of the Bureau of National Literature must not be sold by the bank for less than their actual value, and instructed him to see that a statement to this effect was properly inscribed in the minutes of the directors. Examiner Trimble informs this office that Vice President Zepp did make this a matter of record in the minutes in accordance with his request and warning.

The report of the examination of this bank shows that the bank is not in a satisfactory condition, and Examiner Trimble says that he has made no statement to the contrary, as you incorrectly claim.

You state that the criticism of your management and officers is at variance with the record of the bank and the statement of Examiner Trimble and that the management has not been criticized until "recently."

You are advised that inspection of the reports of examination for five years past shows that the management has been severely criticized and the national-bank examiners have stated in numerous reports to this office that they did not regard the management as safe.

Respectfully,

T. P. KANE, *Deputy Comptroller.*

Senator FLETCHER. Is that Waycross matter in any way related to Mr. Wade H. Cooper here?

Mr. WILLIAMS. Very directly. It was he who sold the \$50,000 bonds to this Waycross bank.

The CHAIRMAN. Is he a director or an officer in that bank?

Mr. WILLIAMS. His brother, Thomas E. Cooper, I believe, was a director and probably is a director. In fact, he informed us at the hearing in October last that he was a dummy director there, to use his own language. I do not know whether Mr. Wade Cooper is a

director. I presume he is not. But he sold the bonds to that bank.

The CHAIRMAN. If he has no official connection with the bank, do you think that is important?

Mr. WILLIAMS. I do, Senator. I am showing here that Mr. Wade Cooper sold to the bank of which one Cooper was president and another brother was a director—the same brother who was a director in his own bank—these bonds.

The CHAIRMAN. You can make that statement, and then do you think it is necessary to say anything more?

Mr. WILLIAMS. I should like to read this communication, if there is no objection. It proves the case, I think, as we go along.

The CHAIRMAN. Proves what case? What do you propose to prove?

Mr. WILLIAMS. I am trying to show that these transactions, Senator, in bureau bonds, were reprehensible and wholly unjustifiable.

The CHAIRMAN. Is it necessary to read all that communication to put before the committee your statement in regard to the sale of bonds? Can you not make that statement?

Mr. WILLIAMS. What I propose to show by this memorandum is that the excuse that Mr. Cooper, or those associated with him, in removing from the bank a certain amount of paper which that bank had at the time he imposed the sale upon them of those \$30,000 of bonds, was not justified.

Senator NEWBERRY. May I ask if the purpose is to discredit Mr. Cooper, or to prove the efficiency of your office?

Mr. WILLIAMS. It is to justify, Senator, the action of my office in criticizing and taking the steps which we did in connection with these Cooper banks. Perhaps I may in a few words state how this matter came up. Mr. Cooper appeared at the hearing in February—

The CHAIRMAN (interposing). That is all in the other hearings.

Senator NEWBERRY. I have read it all.

Mr. WILLIAMS. You have?

The CHAIRMAN. That is all in the other hearings, Mr. Williams.

Mr. WILLIAMS. I would like to emphasize the fact that Mr. Cooper states that until this matter came up his relations with the bureau were entirely satisfactory, and that he regarded Mr. Trimble as an excellent examiner, except for Examiner Trimble's alleged prejudice against him.

Senator FLETCHER. This is not gone into in the previous record?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. Does it have any bearing on the status of the bank at Waycross? It does not affect that bank particularly, does it?

Mr. WILLIAMS. I think it has a very direct bearing upon the matter at issue—the character of the transaction between the two banks. The bank here was loaded up with paper from that bank from time to time.

The CHAIRMAN. Any statement affecting Mr. Cooper's credit as president of the bank is of course proper for you to make, and matters affecting the solvency of other banks, this being a public hearing.

Mr. WILLIAMS. This relates more directly to Mr. Wade H. Cooper than it does to the solvency of any other bank.

The CHAIRMAN. The conduct of the officers of some other bank?

Mr. WILLIAMS. No; it is primarily the activities of Mr. Wade H. Cooper, the president of this bank here, in forcing the sale upon this

other bank of a lot of securities at a price which was, as far as I can see, wholly unjustifiable.

The CHAIRMAN. I do not want to restrict you in any way, Mr. Williams, but it must be apparent that matters connected with other banks—other institutions—in which Mr. Cooper was not an officer, can not very well have much bearing.

Mr. WILLIAMS. This relates to his personal transactions with that bank, in which the bank of which he is president is involved, inasmuch as he, as a part of the trade, agreed—

The CHAIRMAN. You have stated that. If it is necessary to read a lot of immaterial stuff into the record, I suppose you will have to have the opportunity.

Mr. WILLIAMS. I shall certainly try not to read any matter which is not directly material.

The CHAIRMAN. Very well, proceed.

Mr. WILLIAMS. I will state right here that the local bank is concerned, because of an assurance or guarantee which it appears that Mr. Wade Cooper gave to the Georgia bank as a part of the transaction that he would arrange to make these banks, as I understand the resolutions, lend the Georgia bank money on these bonds as collateral, on his bonds, the bonds that he sells personally to the bank, at 5 per cent per annum interest, if they should want to borrow the money.

The CHAIRMAN. Is not that a sufficient statement?

Mr. WILLIAMS. No; that does not go into these matters here at all. I want to show how they arose, how the liabilities with Mr. Cooper took out of the bank, or claims that he took out arose. I will try not to burden you with anything that is not material.

JULY 8, 1919.

MEMORANDUM FOR THE COMPTROLLER.

Acting under your instructions I called at the First National Bank of Waycross, Ga., on the 3d instant in company with Examiner Borden. I attach hereto certified copies of extracts from the minutes of meetings of the directors of that bank relating to the purchase by the bank of \$30,000 (face amount) of bonds of the Bureau of National Literature.

1. Minutes of meeting of May 12 containing resolution authorizing purchase.
2. Copy of agreement dated May 12 between the First National Bank of Waycross, by J. W. Ballinger, vice president, and L. J. Cooper and Wade H. Cooper, covering the sale of these bonds.
3. Extract from minutes of May 25, 1917, modifying provisions of original resolution.
4. Minutes of meeting of June 16, 1917, further modifying provisions of original resolution.
5. Extract of minutes of meeting of September 20 containing resolution calling upon Wade H. Cooper to take up these bonds for \$30,000 cash.
6. Copy of letter dated September 21, 1917, addressed by the bank to Wade H. Cooper advising him of the request made by the board that he take up these bonds.
7. Copy of letter dated September 24, 1917, from Wade H. Cooper to the First National Bank of Waycross declining to take up the bonds for the price of \$30,000.
8. Extract from minutes of meeting of January 2, 1918, again calling upon Wade H. Cooper for \$30,000 cash to take up bonds.

I was informed by Messrs. J. W. Bennett, former director of the bank, and J. L. Walker, now president, that the resolution which appears in the minutes of May 12 was drawn after the meeting by Judge Sweat and Wade H. Cooper; that in the opinion of a majority of the directors present the resolution did not properly reflect the action taken by the board, and for that reason was repudiated at a subsequent meeting held May 25. Judge Sweat, while employed by the bank as its counsel, apparently is in close sympathy with the Coopers. It will be noted that at the meeting of September 20, when Director Bennett offered a resolution calling upon Wade H. Cooper to take out the bureau bonds, Judge Sweat attempted to have the resolution modified.

Col. Bennett informed Examiner Borden and myself that his first discussion of the condition of the First National Bank of Waycross with Wade H. Cooper left him under the impression that Wade H. Cooper would undertake to remove from the bank a part of the paper of his brother, L. J. Cooper, substituting cash therefor. Col. Bennett stated that when Wade H. Cooper proposed the placing of the bureau bonds in the bank at par instead of carrying out the original proposal he (Col. Bennett) was disappointed. He was not satisfied with the proposed arrangement and had his vote recorded in opposition to it. It seemed to be the opinion of both Messrs. Bennett and Walker that Wade H. Cooper, having put the bonds into the bank at face value, should take them out for cash at the same figure, despite the agreement between the bank and L. J. and Wade H. Cooper, which agreement apparently was passed upon and executed under authority of the minutes of May 12, 1917, which were said to have been drawn by Judge Sweat and Wade H. Cooper and the contents of which were repudiated in part by the directors at their next meeting.

There is in the file of the comptroller's office a copy of Col. Bennett's letter to W. B. Cooper declining to consider the proposal of himself and his brothers to take these bonds out of the bank at 50 cents on the dollar.

Bonds which had been sold to the bank at a hundred.

There is attached hereto—

9. A copy of the proposal dated May 15, 1918, made by W. B., L. J., P. S., and Thomas E. Cooper in regard to the removal of these bonds; and

10. Extract from a letter from J. L. Walker, president of the First National Bank of Waycross to Wade H. Cooper under date of May 18, 1918, expressing his dissatisfaction with the proposal of the Cooper brothers.

In the original transaction between the First National Bank of Waycross and Wade H. Cooper, by which the bank acquired at par \$30,000 face amount of bonds of the Bureau of National Literature, there was remitted to the American Bank & Trust Co. at Wilmington \$15,000 cash for account of Wade H. Cooper, and he was entitled to receive certain paper belonging to the First National Bank of Waycross, the principal items of which were as follows:

These are items which he says he would relieve the bank of and take out.

1. Draft of the State Bank of Waycross on the American Bank & Trust Co. of Wilmington.....	\$8, 126. 08
Note of L. J. Cooper indorsed P. S. Cooper.....	4, 672. 20

Less unearned interest, \$19, \$4,653.20.

The draft of the State Bank of Waycross could not be found, and the officers did not know whether it had been returned to the First National Bank of Waycross and misplaced or whether it was held by the American Bank & Trust Co., at Wilmington. The note of L. J. Cooper for \$4,672.20 referred to above was still in possession of the First National Bank of Waycross. The draft for \$8,126.08, which was taken up in the bond deal, according to statements of Messrs. Stanton and Bellinger, cashier and vice president, respectively, of the First National Bank of Waycross arose in the following manner:

The State Bank of Waycross was controlled and operated by L. J. Cooper (then president of the First National Bank) and J. M. Jenrette. In clearing checks of the State Bank of Waycross paid by the First National Bank, the First National Bank received in reimbursement drafts of the State Bank drawn upon the American National Bank of Wilmington. These drafts were dishonored by the American National Bank of Wilmington for want of funds.

At the time of this examination the following dishonored drafts drawn on the American National Bank, Wilmington, N. C., of which T. E. Cooper was president, were found in the First National Bank:

Draft No. 183, dated 3-9-15, of State Bank of Waycross by J. M. Jenrette—

we discussed him this morning—

acting cashier, to order First National Bank of Waycross, stamped, "Protested for nonpayment".....	\$4, 500. 00
Draft 184, dated 3-10-15, description, otherwise same as above, protested for nonpayment.....	2, 000. 00
Draft No. 187, dated 3-13-15, description otherwise same as above, returned unpaid but not protested.....	1, 300. 00
Draft No. 189, dated 3-18-15, description same as above, returned marked, "Insufficient funds," but not protested.....	807. 91

The CHAIRMAN. What relation has this to these bonds?

Mr. WILLIAMS. These are the items which Mr. Cooper claims to have taken out, to relieve the bank from, in connection with the sale to the bank of those bonds at par. These are the items.

These drafts, with other items descriptive evidence of which could not be found, the aggregate being \$9,176.29, on December 15, 1915, were credited, having been returned unpaid, to the American National Bank of Wilmington—

Thomas E. Cooper's bank—

to which bank they had been charged when sent on to it for payment, the credit being marked "Rts. State Bank," the items having been returned dishonored by the American National Bank. On the same date, the State Bank of Waycross—

L. J. Cooper's bank—

was charged the same amount.

There were several subsequent transactions in the account of the State Bank of Waycross which reduced the amount of the charge to \$8,126.08. On August 29, 1916, it appears that the First National Bank of Waycross received another draft of the local State bank on the American Bank & Trust Co. of Wilmington, which had succeeded the American National Bank,—

Which had succeeded the American National Bank there—

in the amount of \$8,126.08, which on the date indicated was charged on the books of the First National Bank of Waycross to the American Bank & Trust Co. of Wilmington. This draft was never paid by the American Bank & Trust Co.

According to statements of the officers and certain of the directors of the First National Bank of Waycross, the nonpayment of this \$8,126.08 draft was discussed at meetings of the board of directors over a considerable period, L. J. Cooper assuring the board that provision would be made for the payment of the draft by the Wilmington bank. Provision for payment, however, never being made the draft remained dishonored.

The charge of \$8,126.08 against the American Bank & Trust Co. of Wilmington was then carried along in the accounts of this bank (although apparently not recognized by the American Bank & Trust Co.) until June 7, 1917, when after the First National Bank of Waycross had taken the \$30,000 of bureau bonds from Wade H. Cooper at 100, apparently in connection with that transaction it remitted to the American Bank & Trust Co. at Wilmington its cashier's check for \$8,126.08, thus covering the old charge which it had made against the trust company in Wilmington in connection with the returned worthless drafts which the State Bank at Waycross, of which L. J. Cooper is said to have been president, had drawn on the Wilmington Trust Co., of which Thomas E. Cooper was president, and which drafts Thomas E. Cooper's company had protested or refused to pay and had returned to the First National Bank at Waycross.

Wade H. Cooper, it appears, claims that he used a portion of the proceeds of the bureau bonds, which he sold at par, to make good that \$8,126.08 deficiency. I respectfully submit that that particular obligation was one which L. J. Cooper and his associates would doubtless have been forced to pay—whether or not the bureau bonds had been bought by the Waycross bank at par—unless they were hopelessly insolvent.

Another item which Wade H. Cooper takes credit for having taken out of the First National Bank of Waycross with the proceeds of the bureau bonds is a note for \$4,672.20 signed by L. J. Cooper and indorsed by P. S. Cooper.

At the February hearings he claimed that he relieved the Waycross bank of a lot of worthless paper, or near-worthless paper, and yet I ask your attention to his own statement as to the solvency or goodness of the makers and indorsers of that paper.

Wade H. Cooper in testifying before the Senate Committee on Banking and Currency in February last, said (p. 258, vol. 1. of Hearings):

"P. S. Cooper is the president of several different banking institutions, and is and always has been amply able to take care of any and all of his obligations. He has the reputation of being one of the best business men in either North or South Carolina."

That is the paper that he claims credit for relieving the bank of.

If this statement in regard to the responsibility of P. S. Cooper (who was indorser on the note for \$4,872.20 referred to) is true, the statement of Wade H. Cooper, that in consideration for the delivery of \$30,000 of bureau bonds to the First National Bank of Waycross, the bank paid \$15,000 in cash and took out \$15,000 in what he terms "worthless paper," is not true.

According to information received from Messrs. Bennett, Walker, Bellinger, and Stanton the State Bank of Waycross, which was controlled by L. J. Cooper, liquidated, paying its depositors in full, but so far as their information went, with no distribution to stockholders. The deposits of the bank at the time of liquidation according to these gentlemen were only some seven or eight thousand dollars.

It is apparent from the best information obtainable, that L. J. Cooper used his position as president of the First National Bank of Waycross to obtain from that bank on worthless drafts of the State Bank of Waycross, which he is said to have controlled, the funds with which the State Bank of Waycross was liquidated, and in my opinion this constitutes clearly a misapplication of the funds of the First National Bank of Waycross, by L. J. Cooper. Inasmuch, however, as the drafts originally passing between the two banks were issued in March, 1915, more than four years ago, it probably would be held that the statute of limitations had run against the transactions, although the draft for \$8,126.08 in final settlement of these items, which draft never was paid by the drawer or drawee was issued by the State Bank of Waycross in August, 1916, less than three years ago.

Respectfully submitted.

SIDNEY R. CONGDON,
National Bank Examiner.

Regular meeting of the board of directors was held May 12, 1917, at 10.30 a. m. Those present were Messrs. Bellinger, Bennett, Cooper, Croom, Sweat, Walker, and Williams.

The minutes of the previous meeting were read and approved.

The loans made since last meeting were read and approved.

Mr. Wade H. Cooper of the United States Savings Bank of Washington, D. C. appeared before the board to submit a proposition in regard to the sale of some bonds of the Bureau of National Literature to the bank. After some time spent in discussion of the matter, on motion of Dr. Walker, seconded by Mr. Bellinger, the officers of the First National Bank of Waycross were authorized and directed for and on behalf of said bank to purchase from Wade H. Cooper, of Washington, D. C. \$30,000 of 5 per cent Bureau of National Literature Bonds, issued November 19, 1910, and due November 19, 1920, with the interest payable semiannually, May and November, at par, and in consideration of the sale of said bonds by said Wade H. Cooper to said First National Bank of Waycross, he is hereby given the exclusive and irrevocable right to vote said bonds at any and all times and at any and all meetings of the bondholders of said Bureau of National Literature Bonds, or otherwise, or as he may direct, for any purposes, and as he may deem necessary and proper and for the best interest of said First National Bank of Waycross.

It being further understood and agreed that upon payment in full of the principal and interest of said bonds to said First National Bank of Waycross, said Wade H. Cooper shall be entitled to any and all other rights and equities, including the stock, to which said bank would be entitled as the holder thereof.

And it is further understood and agreed that said First National Bank of Waycross, will not sell the said bonds prior to maturity to any one except to said Wade H. Cooper or his nominee.

Col. Bennett asked to be recorded as voting against this motion.

There being no further business on motion the meeting adjourned.

C. V. STANTON, *Secretary.*

Not only sold them at par, but tied them up effectually.

I, C. V. Stanton, cashier and secretary of the board of directors of the First National Bank of Waycross, Ga., certify that the above is a true and complete copy of the minutes of a meeting of the board of directors of said bank, held at Waycross, Ga., on May 12, 1917.

C. V. STANTON,
*Cashier and Secretary of the Board of Directors,
First National Bank of Waycross, Ga.*

The CHAIRMAN. Do I understand there has been any default on any of these bonds, Mr. Williams?

Mr. WILLIAMS. Has there been any what?

The CHAIRMAN. Any default on those bonds?

Mr. WILLIAMS. Not that I know of.

The CHAIRMAN. I understood you to say this morning that 25 per cent had been paid.

Mr. WILLIAMS. Twenty-five per cent on the principal, as I understand—in liquidation of the principal.

The CHAIRMAN. Liquidation of the principal of the bonds?

Mr. WILLIAMS. Yes; so I understand.

The CHAIRMAN. That does not indicate that they are not good bonds, does it?

Mr. WILLIAMS. If they are good bonds, it brings up the question, how can you justify their sale at 16 or 20?

The CHAIRMAN. I thought he was selling them at par here.

Mr. WILLIAMS. Yes. That is the question.

The CHAIRMAN. Go ahead.

Mr. WILLIAMS (reading):

STATE OF GEORGIA,

City of Waycross, County of Ware.

This agreement, made and entered into this May 12, 1917, by and between the First National Bank of Waycross and L. J. Cooper, of the city, county, and State aforesaid, and Wade H. Cooper, of Washington, D. C.,

Witnesseth that the \$30,000 to be paid for the Bureau of National Literature Bonds this day purchased by said bank from said Wade H. Cooper, at par, approximately one-half of said sum is to be applied to the settlement of certain claims held by said bank consisting of—

Draft of State Bank of Waycross on American Bank & Trust Co. of Wilmington.....	\$8, 126. 08
Note of L. J. Cooper indorsed by P. S. Cooper.....	4, 672. 20

In addition to the foregoing, with interest thereon, enough of other obligations of said L. J. Cooper are to be settled to make approximately the sum of \$15,000. Said L. J. Cooper guarantees the payment of one-half or \$15,000 of said bonds, and he also obligates himself to pay to said First National Bank of Waycross the difference between the 5 per cent interest on said bonds and 8 per cent per annum.

Should said First National Bank of Waycross at any time while holding said bonds desire to borrow money thereon as collateral security therefor, said Wade H. Cooper agrees that the United States Savings Bank, of Washington, D. C., of which he is president, will loan same at 5 per cent per annum for such time as may be agreed on.

There, Mr. Chairman and gentlemen, in order to enable him to make a deal of his own personal bonds—these, I understand, are not the bonds belonging to the United States Savings Bank—but to facilitate his putting those bonds over on the Waycross Bank, he commits and pledges the United States Savings Bank to loan this money at 5 per cent on those bonds as collateral.

In the event Mr. J. K. Doughton, chief national bank examiner, or the Comptroller or Deputy Comptroller of the Currency should object to said First National Bank of Waycross holding and carrying said Bureau of National Literature Bonds at par, then and in that event \$15,000 of the said sum of \$30,000 paid therefor is to be refunded to said bank, together with the obligation aforesaid, by said Wade H. Cooper, and said bonds thereupon returned to him and the obligation aforesaid to be otherwise adjusted with said bank.

In testimony whereof said parties have hereunto executed these presents in triplicate, the day and year aforesaid.

FIRST NATIONAL BANK, *Waycross, Ga.*
By J. W. BELLINGER, *Vice President.*
L. J. COOPER.
WADE H. COOPER.

The meeting was called to order by the president. The minutes of the previous meeting were then read. The section of the resolution passed at the previous meeting, in regard to the purchase of \$30,000 worth of Bureau of National Literature Bonds, whereby the bank agreed, in purchasing these bonds, not to dispose of them except to W. H. Cooper, of Washington, D. C., was declared by a majority of the board not to be in conformity with the resolution as passed at the meeting on May 12, and this section of the minutes was therefore not approved, Judge J. L. Sweat voting against any change in the resolution as entered on the minutes. However, on motion it was agreed by the board to purchase these bonds as proposed by the resolution on May 12, with the exception to the said resolution that this bank reserved the right to dispose of the said bonds at any time or to any person, after giving the said W. H. Cooper 60 days notice of intention to sell the said bonds and giving him the opportunity to purchase the bonds himself, at par, before making such sale.

I, C. V. Stanton, cashier and secretary of the board of directors of the First National Bank, of Waycross, Ga., certify that the above is a true and correct copy of an extract from the minutes of a meeting of the board of directors of said bank, held at Waycross, Ga., on May 25, 1917.

C. V. STANTON,
*Cashier and Secretary of the Board of Directors,
First National Bank, of Waycross, Ga.*

A special meeting of the board of directors was held June 16, 1917, at 2.30 p. m., the following members being present: Messrs. Walker, Bellinger, Sweat, Croom, and Williams.

The following resolution was adopted on motion of Dr. Walker, seconded by Mr. Croom:

"Resolved, That the directors of the First National Bank, of Waycross, in regular meeting assembled, do authorize the officers of the said First National Bank to purchase from W. H. Cooper, of Washington, D. C., \$30,000 worth of Bureau of National Literature Bonds 5 per cent, as authorized by the resolution adopted at the meeting of the said board of directors held May 12, 1917, with the exception to the said resolution that the First National Bank agrees not to dispose of the said bonds within 12 months from date of purchase, to anyone save the said W. H. Cooper or his duly authorized agent, but after the expiration of the 12 months' period the said bank reserves the right to dispose of the said bonds to anyone it may see fit to sell to, after first giving the said W. H. Cooper 30 days' refusal of said bonds.

"Be it further resolved, That this action is intended to amend the action of the said board of directors in regard to the purchase of said bonds, which action was taken at the meetings of the said board on May 12 and May 25, 1917."

There being no further business, the meeting adjourned.

C. V. STANTON,
Secretary.

I, C. V. Stanton, cashier and secretary of the board of directors of the First National Bank, of Waycross, Ga., certify that the above is a true and complete copy of the minutes of a meeting of the board of directors of said bank, held at Waycross, Ga., on June 16, 1917.

C. V. STANTON,
*Cashier and Secretary of the Board of Directors,
First National Bank, of Waycross, Ga.*

John W. Bennett offered the following resolution and moved its adoption, which was seconded by Dr. Walker:

"Resolved, That Mr. Wade H. Cooper be at once sent a copy of the criticisms of the department in regard to the sale by him to the First National Bank, of Waycross, of certain bonds of the Bureau of National Literature of New York City, for the sum of \$30,000; and be it

"Resolved, That the said Wade H. Cooper in accordance with the criticisms aforesaid be at once directed to send to the said First National Bank of Waycross without delay New York exchange for \$30,000, this being the amount of purchase price of the said bonds, together with 5 per cent interest on the said amount from the 12th day of June, 1917; and be it further

"Resolved, That on receipt of the said New York exchange in the sum of \$30,000 that the bonds referred to be returned to the said Wade H. Cooper at once; and be it further

"Resolved, That if Mr. Cooper fails to comply with this request that the officers of the said First National Bank of Waycross are authorized and directed to sell the said bonds at once."

Judge Sweat moved in substitution for the above resolution that Wade H. Cooper be notified at once of the criticism of the comptroller in regard to the said bonds and asked to have this criticism removed at once or to redeem the said bonds.

Upon the substitute being put to a vote it was lost, and the original resolution was then voted on and passed.

I. C. V. Stanton, cashier and secretary of the board of directors of the First National Bank, of Waycross, Ga., certify that the above is a true and correct copy of an extract from the minutes of a meeting of the board of directors of said bank, held at Waycross, Ga., on September 20, 1917.

C. V. STANTON,
Cashier and Secretary of the Board of Directors,
First National Bank, of Waycross, Ga.

The date, Mr. Chairman and gentlemen, I call your attention to, September 20, 1917, nearly two years ago, Wade Cooper had been called upon to redeem those bonds and take them up and relieve the bank of them. That was before these investigations were brought to my attention. I knew nothing about the transaction, but the examiner, in the performance of his duty, had found this irregular transaction down there, and in pursuance of instructions of the examiner, the board of directors had called upon the bank to demand a return of the bonds. Here is Mr. Cooper's letter:

WAYCROSS, GA., September 21, 1917.

WADE H. COOPER,
Care of United States Savings Bank, Washington, D. C.

DEAR SIR: At a special meeting of the board of directors of this bank held Thursday, September 20, at 10.30 a. m., with a quorum present, said meeting being held for the purpose of considering the report of the national bank examiner on the last examination of this bank, and also for currency based on said report, the following resolutions were adopted:

"Resolved, That Mr. Wade H. Cooper be at once sent a copy of the criticisms of the department in regard to the sale by him to the First National Bank of Waycross of certain bonds of the Bureau of National Literature of New York City for the sum of \$30,000; and be it further

"Resolved, That the said Wade H. Cooper, in accordance with the said criticisms, be at once directed to send to the First National Bank of Waycross, without delay, New York exchange for \$30,000, this being the amount of purchase price of the said bonds, together with 5 per cent interest on the said amount from the 12th day of June, 1917; and be it further

"Resolved, That on receipt of the said New York exchange in the sum of \$30,000 that the bonds referred to be returned at once to the said Wade H. Cooper; and be it further

"Resolved, That if Mr. Cooper fails to comply with this request that the officers of the said First National Bank of Waycross are authorized and directed to sell the said bonds at once."

As stated, this resolution was passed by our board and I was directed as secretary to furnish you with copy of the resolutions as above at once.

I am also attaching hereto a copy of extract from the letter directed to this bank by the Comptroller of the Currency which refers to the matter in question.

Yours very truly,

_____,
Secretary.

WASHINGTON, D. C., September 24, 1917.

Mr. C. V. STANTON,
Cashier, First National Bank, Waycross, Ga.

DEAR SIR: I was in Wilmington, N. C. Saturday, but found yours upon my arrival this morning, inclosing copy of the resolution of your board of directors with reference to the bureau bonds.

The suggestion of the department that these bonds be taken out is utterly without rhyme or reason, as these bonds appear to be the best asset you have in your bank. Certainly I will take the bonds out if it is desired, but it will leave a \$15,000 hole for your board to fill, as I only let you have these bonds to fill up the hole caused by that "punk" paper.

That "punk paper" to which he refers, four or five thousand dollars of it, was indorsed by a man the president of several banking

institutions in North Carolina, one of the best business men in North Carolina, of unquestioned standing. That "punk paper".

Senator FLETCHER. Mr. Cooper said he never received any of the paper. He said he got \$15,000 cash and was to get \$15,000 of doubtful paper, but they never gave him any of the paper.

Mr. WILLIAMS. I should be very happy to ascertain that the Waycross bank had \$4,600 of paper of L. J. Cooper, indorsed by P. S. Cooper, if Mr. P. S. Cooper is as good as Mr. Wade Cooper says he is, for it will enable the Waycross bank to recover \$4,600 on that loan. Do I understand Mr. Wade Cooper makes no claim to that \$4,600 note?

Senator FLETCHER. His testimony here is on page 14:

Senator POMERENE. How much did you get for them?

Mr. COOPER. \$15,000 cash, and I was to get \$15,000 in criticised paper, which I never received.

Senator POMERENE. In other words, you were to get par for them?

Mr. COOPER. I was to get \$15,000 in cash and was to get the balance in criticised paper.

Mr. WILLIAMS. I should be very happy to learn that that is an asset which the bank may recover, if that is the case. Is it understood—

The CHAIRMAN (interrupting). No. When Mr. Cooper replies to you, if he desires to, he will probably be able to give us the facts in regard to that.

Senator FLETCHER. Do I understand those bonds have matured? Or do you know?

Mr. WILLIAMS. I do not know. I understand that perhaps 25 per cent has been paid on them.

Senator FLETCHER. But whether they have matured—

Mr. WILLIAMS. I understood they did not mature until 1920.

The CHAIRMAN. Did the bank keep them?

Mr. WILLIAMS. This is a request to Mr. Cooper to take them up, and this is a reply refusing to do it except at 50 cents on the dollar. So far as I know, the bank has them still. This letter says that Mr. Cooper refused to take them up.

Senator FLETCHER. You had not finished the letter.

Mr. WILLIAMS. No. Mr. Cooper continues:

E. S. Sweatt of this city attempted to buy some of these bonds last week.

I do not know who E. S. Sweatt is, but I understand E. S. Sewatt was a female clerk in his bank. I do not know whether E. S. Sweatt was a female clerk in his bank or not, but I understand that is the E. S. Sweatt, the capitalist who attempted to buy these bonds.

E. S. Sweatt, of this city, attempted to buy some of these bonds last week, and I am inclosing copies of the original telegrams from the various banks, nearly all of them national banks and practically unanimous in demanding par for their bonds.

The suggestion of the department is wholly inexcusable and without reason, and I will take the matter up with the department and file copies of these wires, and I think I can convince the department; but if your board is willing to fill up the hole which will be made by taking these bonds out, kindly advise me.

Those bonds, as stated in his letter, appeared to be the best asset they have in their bank, and yet he is unwilling to give more than 50 cents on the dollar for them.

These wires are from—

First National Bank, Elkhart, Ind.

Mount Jackson National Bank, Mount Jackson, W. Va.

National Bank of Goldsboro, Goldsboro, N. C.
 Macksburg National Bank, Des Moines, Iowa.
 First National Bank, Port Clinton, Ohio.
 First National Bank, Harrington, Del.
 W. J. Lewis, Scio, Ohio.
 Bank of Phoebus, Fort Monroe, Va.
 Interstate Finance Corporation, Philadelphia, Pa.
 Philson National Bank, Berlin, Pa.
 National Bank of Fredonia, Fredonia, N. Y.
 Elyria Savings & Banking Co., Elyria, Ohio.
 Yours, truly,

WADE H. COOPER.

(Notations on margins as follows:)

Par is 80, as 20 has been paid.

These bonds are perfectly good and will be paid.

Remember all that I return is \$15,000 cash and the "punk" paper—see your agreement.

He says, "All that I return is \$15,000 and the 'punk' paper," which he stated to the committee he never received, and which in this letter he says he will return.

On motion of Dr. Walker, seconded by Mr. Bennett, the following resolution was adopted:

Resolved, That Mr. Wade H. Cooper, of Washington, D. C., requested to remit at once to the First National Bank of Waycross, \$30,000 to cover the cost to the bank of the Bureau of National Literature Bonds purchased from him by the said bank. This request being made in accordance with the demands of the Comptroller of the Currency contained in his letter to the board of directors under date of December 28, 1917."

There seems to have been a further demand made upon them.

I, C. V. Stanton, cashier and secretary of the board of directors of the First National Bank of Waycross, Ga., certify that the above is a true and correct copy of an extract from the minutes of a meeting of the board of directors of said bank, held at Waycross, Ga., on January 2, 1913.

C. V. STANTON,
*Cashier and Secretary of the Board of Directors,
 First National Bank of Waycross, Ga.*

FLORENCE, S. C., May 15, 1918.

We, the undersigned, each for himself, W. B. Cooper, P. S. Cooper, L. J. Cooper, and Thomas E. Cooper hereby agree to sell to Col. J. W. Bennett, of Waycross, Ga., all of the stock we hold in the First National Bank of Waycross, Ga., either in our name or that is held by each as collateral to notes—notes that we hold that is secured by said stock—for the price of \$25 per share, provided, however, that payment is made in cash not later than June 1, 1918, and provided on date of delivery of stock of each for himself that the said J. W. Bennett is to deliver to Thomas E. Cooper, assigned without recourse, all paper of L. J. Cooper with the collateral attached now held by the First National Bank of Waycross aggregating approximately \$30,000, and provided further that the said J. W. Bennett delivers on same day to Thomas E. Cooper, of Wilmington, N. C., all bonds now held by said First National Bank of the Bureau of National Literature for the price of 50 cents on the dollar—50 cents on the balance due on said bonds on date of delivery.

L. J. COOPER.
 P. S. COOPER.
 W. B. COOPER.
 THOS. E. COOPER.

Extract from letter from J. L. Walker, president First National Bank of Waycross, Ga., to Wade H. Cooper, care of Union Savings Bank, Washington, D. C., dated May 18, 1918.

"While you speak very freely of the money that we have got to put up it appears to me that little if any progress is being made in that direction. The proposition to release the bureau bonds to you at 50 cents is to me, during my many years in the business world, unprecedented, since at the time you and your brothers put these bonds over on us, you insisted that they were excellent value at par."

JULY 8, 1919.

MEMORANDUM FOR THE COMPTROLLER.

I also called upon Mr. E. K. Wilcox, attorney, Valdosta, Ga., in regard to the affairs of the Bank of Statenville. Mr. Wilcox being engaged in the prosecution of the indictment against L. J. Cooper arising out of the insolvency of the Bank of Statenville.

Mr. Wilcox permitted me to examine certain of his files from which and from conversation with him the following information was obtained: The bank of Statenville was organized about 1916 by L. J. Cooper and J. M. Jenrette who induced residents of Statenville and vicinity who were not familiar with banking transactions to subscribe for and pay in stock to the amount of \$5,800; L. J. Cooper and Jenrette subscribed for 92 shares which was not paid in, \$9,200; total capital, \$15,000.

Records of the bank indicate that in an endeavor to establish payment of the stock subscribed by himself and Jenrette, L. J. Cooper conveyed or had conveyed to the Bank of Statenville, real estate in Nicholls and Statenville at a valuation of \$9,600, which valuation was said to have been far in excess of the actual value of the property.

The CHAIRMAN. What bearing has this upon these bonds?

Mr. WILLIAMS. This shows how the banks which we have been discussing here, and which have been creditors of these Cooper banks, were organized and manipulated. As to this one bank, the Statenville Bank—

The CHAIRMAN. Was Mr. Wade Cooper one of the organizers of the bank?

Mr. WILLIAMS. This relates more immediately to Mr. L. J. Cooper and Mr. Jenrette.

The CHAIRMAN. It seems to me it has no connection whatever—

Mr. WILLIAMS. It refers to paper taken over from these banks into the Washington banks. This is the character of paper with which the Washington banks were loaded.

The acceptance of this property in payment of the stock subscribed by Cooper and Jenrette was not authorized by the board of directors of the bank. Cooper then discounted at the bank various notes of parties residing in Waycross and vicinity which were found to be worthless. He also caused to be placed in the bank of Statenville a certificate of deposit for \$1,000 issued by the Waycross Savings & Trust Co. of which he was president. The Waycross Savings & Trust Co. is now in the hands of receivers and the bank of Statenville has been unable to realize upon the certificate.

At the time of closing L. J. Cooper's overdraft was \$882.51.

An assessment of 30 per cent was made upon the stockholders of the bank of Statenville, which closed its doors in 1918. The Statenville parties have paid in on this assessment \$1,530 and have borrowed \$5,000 on their personal obligations, which amount enabled them to discharge the deposit liabilities of the Bank of Statenville.

The indictment pending against L. J. Cooper growing out of the affairs of this bank will come to trial in September. I understand from Mr. Wilcox, however, that Cooper's attorneys have opened negotiations looking to a settlement of the loss sustained by the Statenville parties and that if this settlement is reached the indictment may be not prossed.

Respectfully submitted.

SIDNEY R. CONGDON,
National Bank Examiner.

I will come to another matter now, Mr. Chairman.

Mr. Cooper charges, page 6 of the June hearing, that the failure of the Heard National Bank was due to gross negligence of John Skelton Williams as Comptroller of the Currency. In answer to that charge I assert that the failure of the Heard National Bank was

brought about by practices precisely similar to those engaged in by the management of the Cooper banks. Furthermore, Mr. Lawrence J. Cooper, brother of Thomas E. Cooper and Wade H. Cooper, was formerly a director in the Heard National Bank.

The CHAIRMAN. What do you mean by "formerly"?

Mr. WILLIAMS. Several years ago a director in that bank, which failed several years ago.

The CHAIRMAN. Was Mr. Wade Cooper a director?

Mr. WILLIAMS. No; not Mr. Wade Cooper. I said Mr. Lawrence J. Cooper, a brother of Thomas E. Cooper and Wade Cooper, was a director in the Heard National Bank.

The CHAIRMAN. I know, but we are not trying Mr. Thomas Cooper here, are we? I can not see any possible connection which that item has with your conduct as comptroller, or Mr. Cooper's as a banker.

Mr. WILLIAMS. I will endeavor to supply the connecting link, Mr. Chairman.

The CHAIRMAN. Proceed.

Mr. WILLIAMS. I have just stated that Mr. Cooper charged that the failure of the Heard National Bank was due to my negligence as Comptroller of the Currency.

The CHAIRMAN. And you say it was not?

Mr. WILLIAMS. And I state that one of his brothers, a man who has been conspicuous in the character of transactions which I have denounced as most reprehensible, was one of the managers as director of that bank, and that they were precisely the same practices in vogue there which wrecked that bank which have wrecked other banks in the Carolinas, and which threaten the solvency of other banks.

The CHAIRMAN. You make that statement. Is not that a sufficient presentation of that matter? Is it necessary to go on and read a history of these institutions?

Mr. WILLIAMS. This is only one page I am reading.

Furthermore, Mr. Lawrence J. Cooper, brother of Thomas E. Cooper and Wade H. Cooper, was formerly a director in the Heard National Bank, and it was presumably through this connection that loans secured on the stock of the Heard National Bank was placed in each of the two Cooper banks in Washington.

We had the same difficulties in connection with the interlacing of loans and kiting of checks in the Heard National Bank that we have had to contend with in the Cooper banks with which we are now dealing.

Mr. Cooper's intimation or complaint that this office was not alive to the threatening situation of the Heard National Bank, or that he furnished the office with advance information, is a complete falsification, as shown by the records of the office. We had selected and designated an official from the Federal reserve bank at Atlanta to take charge of the Heard National Bank some months before it was decided to close it in an effort to rehabilitate it, but it was found that the pernicious practices and mismanagement of the old régime had tied the bank up so effectually that it was necessary to close it, and it was closed under instructions of this office. I am happy to say, however, that through the efforts of the receiver and this office the probabilities are that the depositors, who have already received 70 per cent, will be paid in full.

Now, Mr. Chairman and gentlemen, I will take up seriatim a number of other charges which have been made by Mr. Cooper, and propose to show you that they are false, and generally maliciously so.

Mr. Cooper requested that some officer of the Guaranty Trust Co. be called down here to show that there had been discrimination in the matter of Government deposits. I wish to read an extract from a

letter from Mr. Peabody, a trustee of the Guaranty Trust Co., in answer to a conference which I had had with him on that subject, and in which I called his attention to the statements that had been made of that sort. He writes me under date of January 11, 1919:

As to the withdrawal of deposits to the amount of \$73,000,000 from the Guaranty Trust Co., my recollection is that the article undertakes to say that that amount of deposits were withdrawn from the trust company by you or at your instigation. No such amount of deposits by railroads was ever held by the company, and of course was never withdrawn. The fact is that deposits of railroad companies, approximating \$40,000,000 in amount, have been withdrawn from the Guaranty Trust Co., and it has been understood that large amounts of deposits of railroad funds have, as a result of Federal control, been drawn from other banks and trust companies in New York for various purposes and for various reasons. The propriety of so doing has not been questioned by the company or its officers.

Yours, very truly,

CHARLES A. PEABODY.

Here on page 460 of the February hearings Mr. Cooper made charges and insinuations in regard to a loan with the Munsey Trust Co. by Mr. R. Lancaster Williams, of the Firm of Middendorf, Williams & Co. At that time Mr. Cooper requested that Mr. Pope be called to prove that the national bank examiner criticized a lot of notes of a certain official of the Munsey Trust Co., and that thereupon "said notes were taken out and that a note for \$183,000, made by R. Lancaster Williams, brother of Comptroller Williams, was substituted, said note of R. Lancaster Williams being secured by stock of the Middendorf-Williams Co., of Baltimore, said stock being of questionable value at the time; that thereupon the criticism ceased, and that the said note of R. Lancaster Williams was never criticized, notwithstanding the questionable security offered."

When I called Mr. Cooper's statement to the attention of my brother, he wrote this letter, under date of February 24:

MIDDENDORF, WILLIAMS & Co. (Inc.),
Baltimore, Md., February 24, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency,
Washington, D. C.

DEAR SIR: I am informed that a statement was made by some one at a hearing before the Banking and Currency Committee of the Senate, on the 21st instant, to the effect that the national bank examiner had omitted to criticize a certain note signed by myself, held by the Munsey Trust Co., of Washington, secured by shares of stock of Middendorf, Williams & Co., (Inc.), Baltimore.

This note was originally given to represent the purchase by me at a substantial premium above its par value, of stock of Middendorf, Williams & Co. (Inc.), which I bought from one of the other stockholders of the corporation.

The stock securing the obligation has at the present time a book value of more than \$150 per share, and in the past two and one-half years, or since June 30, 1916, there has been declared and paid cash dividends amounting to 55 per cent on the \$500,000 capital stock of Middendorf, Williams & Co. (Inc.). The collateral securing the loan has an actual book value of two and one-half times the amount of the loan. This particular loan, therefore, represents only about 40 per cent of the value of the collateral upon which it is secured.

The note as originally given by me for the purchase of the stock has been reduced by the payment by me of approximately \$100,000 in cash, without the withdrawal of collateral.

Very truly yours,

R. LANCASTER WILLIAMS.

I think, in justice to the firm, Mr. Chairman, that that should be included.

Mr. Cooper also made a statement in regard to the Georgia & Florida Railway. His statement was to the effect that I had unlawfully sat quietly by and by my act ratified and approved a contract whereby the United States Government entered into a contract to pay the Georgia & Florida Railroad, a little line running from Augusta, Ga. to Madison, Fla., the sum of \$88,000 per year net rental for said railroad when the said railroad was and is hopelessly insolvent and had sustained a net loss of about \$513,000 for the year previous.

That statement, Mr. Chairman and gentlemen, is shown to have been hopelessly and outrageously false by the latter from the Director General of Railroads which I present herewith:

UNITED STATES RAILROAD ADMINISTRATION,
WALKER D. HINES, DIRECTOR GENERAL OF RAILROADS,
Washington, July 3, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency,
Washington, D. C.

DEAR MR. WILLIAMS: I have your letter of 1st instant relative to the testimony given before the Banking and Currency Committee of the Senate by Wade H. Cooper on June 30.

You did not have anything to do at any time with the negotiation of the contract which the Director General made for the Georgia & Florida Railroad, or with the fixing of the amount of compensation, or any other term of the contract, or with determining whether or not the railroad should be under Federal control at all. From the very outset of the Railroad Administration you made it clear that you did not wish to have anything to do with the matter and your wish was strictly respected.

I notice that Mr. Cooper's testimony refers to certain deficits with respect to the Georgia & Florida Railroad. The deficits stated by him are altogether different from the figures with which the Railroad Administration had occasion to deal. Under the Federal control act the Railroad Administration's starting point in dealing with these questions was the operating income or deficit, i. e., the balance or deficit remaining after deducting from the operating revenues the operating expenses, taxes, car hire, joint facility rents, etc. I state in parallel columns the deficits mentioned by Mr. Cooper and the actual figures of net operating income or deficit with respect to this railroad:

Mr. Cooper's statement of deficits:	Net operating income or deficit:
1917..... \$518,991.00	1917 ¹ \$105,643.00
1916..... 557,408.00	1916 ² 10,472.00
1915..... 636,558.00	1915 ² 96,862.00
1914..... 461,197.00	1914 ¹ 57,397.00
1913..... 403,234.00	1913 ¹ 33,584.00
1912..... 245,277.00	1912 ² 13,806.00

The compensation of \$88,000 was fixed in pursuance of the following paragraph of section 1 of the Federal control act:

"If the President shall find that the condition of any carrier was during all or a substantial portion of three years ended June 30, 1917, because of nonoperation, receivership, or where recent expenditures for additions or improvements or equipment were not fully reflected in the operating railway income of said three years or a substantial portion thereof, or because of any undeveloped or abnormal conditions so exceptional as to make the basis of earnings hereinabove provided for plainly inequitable as a fair measure of just compensation, then the President may make with the carrier such agreement for such amount as just compensation as under the circumstances of the particular case he shall find just."

In conclusion, permit me to say that you had no responsibility either directly or indirectly, by affirmative action or by acquiescence, in dealing with this matter. Other members of the staff, including myself, assumed and discharged the entire responsibility of making the recommendation to the then Director General, and he acted upon that recommendation.

Sincerely yours,

WALKER D. HINES.

¹ Net operating income.

² Net operating deficit.

2. The charge that the firm has frequently overdrawn its account is wholly false and misleading, as shown by the ledger of the bank itself. The bank ledger which I have to-day examined, as far back as 1917, shows that during this entire period, or more than 18 months, the firm was shown on the bank's ledger to be overdrawn at the close of business on only two occasions—October 26, 1918, and October 30, 1918. On Saturday, October 26, the bank had in its possession a remittance more than sufficient to cover the apparent overdraft. This credit, however, was not entered on the account of Messrs. John L. Williams & Sons until the succeeding business day, Monday, October 28. On October 31, the bank received a delayed remittance from the firm, dated at Richmond, Va., October 29, inclosing current funds amply sufficient to cover the apparent overdraft of October 30. These apparent overdrafts, I was informed by the bank's officers, and the files of the bank conclusively prove, were due solely to the irregularity and delay in the mails while railroad traffic was so congested, which interfered with the prompt receipt of these remittances from Richmond. Thus it is clearly shown that the apparent overdrafts were in no way attributable to Messrs. John L. Williams & Sons, and, but for the circumstances so outlined, the account would have shown a very substantial credit balance at each time.

According to the bank's own ledger the average credit balance which the firm of John L. Williams & Sons has carried with the bank during the past six months was \$9,950.49.

In the course of my regular examinations for several years past I have always found any loans made by this firm to be abundantly secured by collateral and the bank officers tell me that the account is a valued and thoroughly satisfactory one.

The bank has no money loaned to the firm on bonds or stocks of the Georgia & Florida Railway directly, and the only loan made to the firm in which the Georgia & Florida securities figured in any way is a loan secured mainly by high class State bank stocks and by a note which in its turn was secured by first mortgage bonds of the railway referred to.

The loans to this firm from the Commercial National Bank at this time are principally secured by readily marketable stock exchange collateral, the collateral securing their loans providing at present market values a margin of about 40 per cent above the amount of the loans, and this margin would be in excess of 20 per cent entirely without the Georgia & Florida bonds, which, therefore, may be considered nothing but excess margin.

I have always heard and understood from reputable bankers in Washington, Baltimore, and Richmond, and I believe, that the firm of John L. Williams & Sons is one of the very highest standing for integrity, fair dealing, and resourcefulness, and enjoys an excellent credit which they never strain; that whenever they have occasion to borrow they always are prepared to give abundant collateral.

The above facts will demonstrate conclusively the absurdity as well as the groundlessness of Mr. Cooper's vicious insinuations that the transactions between the bank and the firm were either deserving of the slightest criticism, or that I forbore to criticize them because of your former connection with the firm in order to gain favor with you.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

We have read the above letter and desire to certify that the statements of National Bank Examiner Trimble relative to the deposit account, alleged overdrafts, and loans of Messrs. John L. Williams & Sons, as referred to above, are absolutely correct as shown by the books and records of this bank.

W. E. CADWALLADER,
Cashier.

ROBT. C. CISSEL,
Assistant Cashier, Commercial National Bank.

I mention, incidentally, that Mr. Cissel was one of the men that Mr. Cooper asked to summon here for some purpose; I do not recall what.

The CHAIRMAN. You go back there 18 months. Why did you not go farther back?

MR. WILLIAMS. I would be happy to go back to any period you please. You said a year or so, and I went back over 18 months. I

would be very happy to go back further if you wish me to. I had not the remotest knowledge of the condition of the firm.

The CHAIRMAN. Have you now any knowledge of the condition?

Mr. WILLIAMS. I do not know whether the account shows any—there were two incidental overdrafts in this period. I do not know whether there were any overdrafts in any previous period.

The CHAIRMAN. You do not know anything about the condition?

Mr. WILLIAMS. I do not, but I will get the information if you want it.

I submit, Mr. Chairman, is it fair to permit a man, without a scintilla of proof, to come before your committee and make wanton, willful, and malicious charges against the credit of concerns that are above reproach?

I will give you another instance.

On page 460 of the February hearings he requested that Mr. Pope be summoned, of the Munsey Trust Co. Here is a letter under date of July 8 from National Bank Examiner Trimble:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
807 UNION TRUST BUILDING,
Washington, July 8, 1919.

HON. JOHN SKELTON WILLIAMS,
*Comptroller of the Currency,
Washington, D. C.*

DEAR SIR: At the hearings before the Banking and Currency Committee of the Senate on February 21, 1919, Mr. Wade H. Cooper (p. 460, pt. 2, of the Hearings) said: "I further expect to prove by Mr. Pope that the firm of John L. Williams & Sons, of Richmond, relatives of Comptroller Williams, a firm in which he was, or had been, interested, also had a note of \$20,000 in the Munsey Trust Co., of Washington, said note being secured by stocks or bonds of the Georgia & Florida Railroad, which were of little value; that said note was permitted to remain in the Munsey Trust Co., without criticism, by Comptroller Williams."

Pursuant to your instructions, I have made an examination of the loan accounts of the Munsey Trust Co. as far back as January, 1916, and find that for the entire period, more than three years, the only loan made by the Munsey Trust Co. to Messrs. John L. Williams & Sons, of Richmond, Va., was one loan of \$10,000 on April 10, 1916, which appears to have been amply secured by collateral, namely, 155 shares of stock of the Southern Investment Co., and by \$5,000 of the first mortgage bonds of the Georgia & Florida Railroad.

The investment company is a corporation, with capital of \$750,000 paid in in cash at par, and as the shares of this company are valued at considerably more than the face of the loan, the bonds of the railroad additionally pledged might reasonably have been regarded as excess margin. Furthermore, the loan referred to was reduced before the expiration of the first 12 months to \$7,000 without the withdrawal of collateral, and the entire balance was paid in full nearly a year ago. I therefore consider that Mr. Cooper's insinuation or charge that the loan to the firm mentioned was ever inadequately secured or deserving of criticism to have been wholly unjustified.

Very truly, yours,

JAS. TRIMBLE,
National Bank Examiner.

I have read the foregoing letter and the facts stated therein as relate to this company are correct in every particular and have been verified by the records of the Munsey Trust Co.

C. H. POPE,
Vice President the Munsey Trust Co.

Another wanton and willful misstatement.

I think it might be well, while referring to the Munsey Trust Co. here, to mention that I am informed that the note of Mr. Lancaster Williams which was referred to and criticized, in the Munsey Trust Co. and which had a margin of 250 per cent collateral, also happened

incidentally to have been indorsed by Mr. Frank A. Munsey himself to whom Mr. Williams had originally given the loan in a transaction which they had.

Mr. Chairman, it is exceedingly disagreeable to me to have to answer in any way such wanton and willful and unjustifiable reflections as this witness Cooper has made upon the firm of which I was at one time a member, but in view of his statements I think it proper that I should give this committee a brief statement in regard to that firm and its operations and some of the work which it has done in the past few years.

Mr. Cooper, in the nineteenth charge, on page 6 of the hearings of June 30, undertakes to say that the comptroller's—

past record shows him to be utterly incompetent and incapable of discharging the important duties devolving upon him as Comptroller of the Currency; that his past record shows that practically every enterprise or institution with which he has been connected has proven financially disastrous; that this is illustrated in the case of the Seaboard Air Line Railroad, which he operated and manipulated and which finally collapsed and went into the hands of receivers; that this is also illustrated in the case of the firm of John L. Williams & Son, in Richmond, in which he was a controlling factor, and which had a creditors' committee appointed to take charge of its affairs; that this is further illustrated in the case of the Georgia & Florida Railroad above referred to, in which he was a controlling factor, and which finally collapsed and went into the hands of receivers on March 25, 1915.

I think no defense of that firm or of its history would be necessary in any community where that firm is known or as to any of those who have been associated with the members of the firm during any portion of the past 40 years of its existence. It has been in successful operation for nearly 40 years. I believe that those aspersions were made upon it with a willful and deliberate intention to injure, by a man who knew better; and if you will pardon me for going back to the earlier days I will inform you of the firm of John L. Williams & Sons, which firm has been in existence, as I have said, for more than 40 years.

Upon returning from college in 1886 I entered the firm directly as an active partner, and I had been a partner in the firm and an active factor in it from that day until I came on to Washington to assume the duties of Assistant Secretary of the Treasury.

There seemed to be some question as to whether I could retain an interest in the banking house and at the same time perform without criticism, and lawfully, the duties of Assistant Secretary of the Treasury. I got the advice of counsel, the Solicitor of the Treasury, on that point, and he told me that there seemed to be nothing in the law which would prevent me from continuing my membership in the firm of John L. Williams & Sons at the same time that I was Assistant Secretary of the Treasury. But I decided that I would take no chances. It was to a certain extent an ethical question, and I decided that I would sever all business connections of every sort, and I therefore retired from the firm on the 1st of April, 1913. I have not been a member of that firm or of any other firm since that time.

At the same time I retired from various other corporate activities, from directorships in railroad and industrial enterprise of various kinds and I parted with my interest not only in national banks, but in State banks as well. The Assistant Secretary of the Treasury had supervision over the Comptroller of the Currency, and I did not want to have any conditions or complications which might be in any way

embarrassing. I therefore relinquished and got out of all bank stocks, whether National or State, at that time.

To go back to the earlier days of the firm of John L. Williams & Sons: When I, at the age of 21, became a member of that firm, the South was just beginning to come forward. It was just recovering from the effects of the war, of the reconstruction period, and financial operations and transactions in that part of the country were not large and we had to look very largely to the outside for capital, and it was not an easy matter to develop and build up either railroad enterprises or banks or public utility companies in those days. It was a matter that took all the intelligence and energy that a man had to carry forward successfully enterprises of that character.

The firm of John L. Williams & Sons specialized in the development and upbuilding of enterprises, especially those which were likely to develop and help forward the South. Among the earlier financial transactions, which would seem very small in these days, but which were of some consequence at that time, was the financing which my firm engineered of the maturing State debt of South Carolina. I think that involved about \$6,000,000, which seems a small sum now, but in those days it was of more consequence, and it was at that time especially of important consequence as it required particular skill in handling it because it had to be done on the 1st of July, 1893, in the midst of the worst panic which we had had for 20 years.

That proposition was one, among many others, which the firm successfully carried through.

I recall very distinctly a gratifying letter which I received at that time from the chairman of the senate of South Carolina, congratulating my firm upon the accomplishment in those difficult days in raising that large sum of money when money was selling at a premium of 103 and seemed to be unobtainable by the largest banks. I recall his telling me that he proposed to have the senate or State offer a vote of thanks. He was full of gratitude in his congratulatory letter.

In the earlier days, I, as one of the active members of the firm, devoted a good deal of my time and energies to bringing before the public and the capitalists of the country the advantages which I believed the South possessed and which I knew would become more and more recognized as time went on; and in doing so the firm published what they denominated a manual of investments in order to bring to the attention of the capitalists of the country and investors the opportunities which the South presented for the judicious investment of funds.

In that connection I am reminded of a very pleasing little incident which showed how prophecies are sometimes fulfilled.

A copy of one of the issues of the manual of investments I sent to Mr. Gladstone. I recall the letter which he was courteous enough to write back, in which he said:

The time may come when your wealth will overflow into other lands, but for the present your vast powers of production, which the South seems likely so much to enlarge, will not disdain extraneous aid, and I feel how great in that point of view is the importance of the work which I owe to your kindness.

I had the honor to receive that letter from him nearly 30 years ago, in 1890, three or four years after I became an active member of the partnership.

Those predictions of Mr. Gladstone have been fulfilled. Our wealth is, as you know, overflowing into other lands now.

I am happy to inform you, Mr. Chairman and gentlemen, that my firm has been very active in all these years in the development and establishment of banks and enterprises of various sorts in which I have figured from time to time as executive or director. I am also proud to be able to tell you that no institution with which my name has ever been connected as director or executive officer has ever gone into the hands of a receiver while I was its executive officer or actively engaged in it.

I have been connected with many banks and trust companies. Some of them are in existence now under their original names; but those which are not in existence now under their original names are in existence as consolidations with other banks, and generally they represent the leading and important banks in their respective communities.

This witness has referred to an occasion when a committee of creditors was appointed. I wish to make it very plain that the firm of Williams & Sons has never failed, has never made an assignment, has been in continuous operation for over 40 years; but about 16 years ago during a very acute money stringency, when they were conducting a great many enterprises for which they were advancing their own funds and for which they were providing funds from other sources, they found it was impracticable for them to continue these operations and to keep all of these institutions and corporations going and at the same time to protect themselves. They were lending at that time to one railroad about \$1,000,000. To have called those loans might have precipitated and probably would have precipitated a receivership. Having an abundance of high-class collateral and securities, which they were unwilling to sacrifice on the panicky markets which then prevailed, they declared practically a moratorium, and said, "We will take a breathing spell to clear these matters up." There was no assignment of any sort. They asked the indulgence of those with whom they had their financial relations to give them time to avoid a sacrifice of some of the large properties which they were conducting in order to realize on them in an orderly way without sacrifice.

This was readily granted, practically unanimously, and the firm settled all demands upon them at 100 cents on the dollar and interest and continued the active and profitable business which they have been conducting through all these years.

The CHAIRMAN. Did the creditors appoint a committee, or was there any committee appointed?

Mr. WILLIAMS. An advisory committee was appointed by the firm.

The CHAIRMAN. By the firm?

Mr. WILLIAMS. Yes, sir; with the concurrence and advice of their large creditors, and they paid off at 100 cents on the dollar in full, every demand.

The activities of the firm were not confined to banks and trust companies, but they were potentially active factors in the development of the public utility properties in many of the leading cities of the South. For example, it inaugurated and developed the Richmond Traction property in Richmond, which was eminently successful. It harnessed the water power of James River through the

electric company and electric railway company, a corporation which was phenomenally successful. They built up the street railway systems and lighting systems of many other cities—Norfolk, Va., for example, Augusta and Macon, Ga., Knoxville, Tenn., and various other places—involving large capital and experience and skill in developing and handling them.

They were also active in various industrial enterprises—the inauguration of industrial corporations of various kinds that minister to the growth and prosperity of the country in which their activities were being principally exercised. As a rule they were signally successful. I think I can safely say that during many years that firm was the most active and the most successful firm in its line of business in the whole South.

Among the last enterprises in which I had an active or important interest before coming to Washington was an enterprise in Texas in which my firm and their associates and our immediate friends took an interest of about one-fourth, the original syndicate being \$1,000,000, and as compared with the ridiculous and wanton and malicious statements of the witness I call your attention to that investment and to the fact that the corporation, representing an investment of \$1000,000 in the original syndicate, is selling to-day on the market at over \$30,000,000.

As to my railroad experiences: I should not detain you, Mr. Chairman, or any other member of the committee, or encumber this record with matters which may seem under any circumstances to expose me to the charge of vanity, but as these false and unjust statements have been put into this permanent record I feel it my duty to bring out the real facts in regard to the firm in which I have no interest and have had none since 1913.

As I have told you, I became a member of the firm in 1886. Six or seven years later I began my railroad experience. I had never been connected with a railroad proposition of any sort until that time. In 1892 the attention of my firm was directed to a small railroad known as the Savannah, Americus & Montgomery Railroad, running between Montgomery, Ala., and a point 70 miles east of Savannah. It was in a failed condition. It was either then in the hands of a receiver or went into the hands of a receiver very soon after it was first brought to our attention. I was not connected with it in any way whatever. Some of our friends were so fortunate or so unfortunate as to be owners of some of the bonds.

I was then a mere youth of 26 or 27, but I investigated the property and believed and made up my mind that the situation was one which could be worked out. The first mortgage bonds on the road were selling at about 40 cents on the dollar. I became interested in it and was made a member of the reorganization committee, and the older men on the committee prepared a plan of reorganization which did not impress me as being fair, and that led to my first railroad controversy.

I had to attack their plan, which I thought unjust and inequitable, and work out a plan of my own which I thought was fair to the security holders. After a year or two of talking and waiting my plan was adopted by the security holders as the plan under which the Savannah, Americus & Montgomery Railroad should be reorganized.

The road was reorganized in 1894 or 1895, and the owners of the road were good enough to elect me as its president. I was then, I think, about 29 years of age.

That was the first experience that I had with a railroad. I threw myself into the road to try to work it out and make a success of it. I succeeded in extending the road's operation into Savannah on the one side and acquired, through the good works of our firm and our associates in Baltimore, additional lines which made it a line of some consequence, some 400 or 500 miles.

In the ensuing two or three years my time was divided between my railroad enterprises and the development of street railway enterprises and, incidentally, banking interests here and there.

I will say here that I have been a director in trust companies since I was probably 22 or 23 years old and was chairman of the trust company section of the American Bankers' Association in 1901. and I have had occasion to give a good deal of attention to those matters.

In following up my studies of the South I became convinced that it was very desirable that there should be additional transportation facilities between the North and the South; that the Southern Railway and the Atlantic Coast Line did not provide all the railroad facilities that that growing region required.

I had been studying the railroad map of the South for many months, and I developed the ambition to provide a new trunk line which should extend from Washington, on the one side, to Atlanta and southern Florida on the other.

In the latter part of 1898, three years after I had taken over this small road of 300 or 400 miles I opened negotiations with the then owners of a collection of small roads extending between Norfolk, Va., and Atlanta, Ga., embracing some 15 or 16 different railroad corporations, including the Seaboard and Roanoke, the Raleigh and Augusta, and others, and succeeded in getting them to name a price at which the owners would sell to me and my associates that system of about a thousand miles. We agreed on a basis for the transaction. I think about the day before Christmas, in 1898, I gave them a check for certificates of deposit—on Christmas Eve, I think it was, or on Christmas Day, or immediately after—for about \$3,400,000 to bind the transaction. We announced that the syndicate organized by my firm in Richmond, of which I was a partner, and of our Baltimore associates, had bought those properties. At the same time I opened negotiations for the acquisition of the system known as the Florida Central Peninsula system, covering pretty largely the great State of Florida, to which I had cast a longing eye for many months. I think that within 60 days thereafter I succeeded in securing from the then owners of the Florida Central Peninsula system an offer for that system, which I at once accepted.

That gave my associates and myself a system of about 2,300 or 2,400 miles, but they were disconnected and separated one from the other. We had to build a connecting line from Richmond to a point in the Carolinas, on the one side, and from Columbia, S. C., to a connection with the Florida lines on the other, and then a further connection in Georgia to connect up with the old railroad of which I had been just elected president a few years ago and which became then known as the Georgia & Alabama Railroad.

The earnings of that road the year before my purchase were about seven or eight millions. I devoted my energies for the next few years principally to the development of that system, and when I retired from the system in 1904 its earnings were practically double or nearly double.

Having built up a system as extensive as that was, we had further plans on foot, and decided to build into Birmingham, Ala.; and it was the construction of that road in the summer of 1903 which created the strain upon my firm which made it necessary for us to ask for time in which to adjust and straighten out our affairs.

As I said, we were advancing to the road at that time approximately a million dollars, and we were lending hundreds of thousands of dollars to other enterprises which we were conducting and in which we were the leading and most important factors; and I wish to say with all due modesty, Mr. Chairman, that when that crisis in the affairs of the firm was reached, we were carried over it so successfully by so adjusting the finances and affairs of all of the many corporations, street-car companies, industrial corporations and enterprises, and banks and trust companies, that when the announcement was made that we wanted to have the consideration which was called for, not a single corporation with which we were identified or which we were conducting failed.

We protected every enterprise which we were handling, and simply stood in the breach and let the storm strike us and weathered it.

The Seaboard Air Line Railroad itself was tided over. I was president of it, and I remained president for some months. I was president at that time of the Bank of Richmond. We strained, we wrenched, and yet there was not a run on the bank. I was president at the very time. I remained president of that bank and a member of the firm.

That is the answer to those insinuations as to the character of the operations with which the firm has been connected.

At the same time that we were building up our railroad enterprises and starting banks in different parts of the country and aiding in the development of those which were existing, extending all the way from New York to Savannah, we were aiding in the development of other large industrial enterprises in the South. Among others I recall that in about 1898 my firm financed and doubled the capital of one of the largest industrial companies in the South today, one of the most successful—the Virginia-Carolina Chemical Co. I think they had nine millions of stock out at that time, and we sold nine million more for them.

That is simply one illustration. The shares which we marketed at that time are selling at an enormous advance over the price at which they were handled by our firm.

And so it has been with nearly every enterprise with which my firm has been connected from the time it started business until today.

The Seaboard Air Line Railway was disappointed. The engineers had given estimates as to what the new line of 150 or 200 miles to Birmingham would cost, and it cost about six millions dollars more than the estimates. It threw us out very much in our calculations, and that was the cause of the troubles of the Seaboard Air Line Railway at that time which they, however, overcame.

I retired from the presidency of the Seaboard Air Line Railway about 1904, and devoted my attention for the next two or three years to other matters, retaining my membership in the firm. I felt that the Seaboard Air Line Railway was not being managed as it should be managed, and I was an open critic of the administration of the Seaboard Air Line Railway and pointed out in published letters abuses which I thought should be corrected and matters of policy which I thought should be changed.

The CHAIRMAN. Was that after Mr. Ryan's assistance was called in?

Mr. WILLIAMS. That was while Mr. Ryan was on the board.

I should say that in 1914 my firm parted with its large holdings in the Seaboard Air Line. I think I made a sale at one time of ten or fifteen millions of dollars of the shares of that road to the Ryan syndicate, and I retired from the board.

But a great many of my friends still retained an interest in it, and I felt an acute interest on their account.

In the latter part of 1907, following the panic, two of the attorneys of the Seaboard Air Line Railway telegraphed or telephoned to me at Richmond asking me if I would meet them in Washington. I told them that I would, and I met them at the Willard Hotel in this city.

They said that the times were very alarming; that the Seaboard Air Line system which had developed and which had been built up by my friends and subsequently sold to the new syndicate, was in deep water, and asked if I would not assist in financing it. I think their request was about the 29th of December, and they had a million dollars or thereabouts to pay on the 1st of January, and they wanted to know if I would not help to provide those funds.

I said, "It is too late, gentlemen. I have tried to point out that things were not going as they should in the past year or two, but my advice was not taken." I said, "I am not willing to step into this situation now, at this last moment, two days before your interest falls due."

They said, "If you don't, unless we raise these funds, we will have to have a receivership."

I was neither a director nor an officer of the company. As long as I was an officer of the company it kept going; it was solvent. I do not mean that it became insolvent because I went off the board, but I do say that I had occasion to criticise the policies in those intervening years.

I said, "I am not willing to come into this matter at this last moment and put up a large sum of money as you suggest."

Then they said it was a receivership. They said, "Mr. Williams, we will name as receiver any one you suggest."

I said, "Put my brother, Mr. Lancaster Williams, in as receiver."

They said, "All right," and they put him in. They selected Mr. Warfield, of Baltimore, who was a member of the board. The third receiver was appointed by the court, Mr. Duncan, of North Carolina.

My brother threw himself into that situation with his accustomed energy and intelligence, and Mr. Warfield and Mr. Duncan worked admirably together. They endeavored to overcome the abuses and faults of the past, and they turned the nose of the boat from the rocks to the open seas again. Very soon the road began to respond to the

improved treatment and the changed policies, and deficits were changed into earnings.

A reorganization committee was appointed of 17, I think, and I was asked to be a member. I consented. I had not been responsible for several years for the conduct of the road, but I consented to go on the board. A subcommittee was appointed to prepare plans, and I was asked to be one of a committee of six to prepare plans for the reorganization of the system when the time should come, and I agreed to do that.

Soon matters began to shape themselves in a way that indicated that we would be able to emerge from the receivership if some suitable plan could be devised, and our committee of six was requested to prepare a plan for submission to the main board. The other members of the committee each forwarded a plan, practically, and we had a whole potpourri of reorganization plans before us for consideration.

The result was that the other five members of the board agreed on a plan, but I regretted very much that I was unable to coincide with my associates in the plan which they recommended to the full committee, and I brought forward a plan on a different principle, the merits of which I modestly urged on the committee. I felt that the other propositions of the plan would not be workable and could not be carried out.

The result was that when the two plans were submitted, the joint plan of the other five members and the plan which had been proposed by me, the full committee realized the merits of certain features of my plan, and both plans were recommitted to the subcommittee for further consideration. The result was that what I regarded as the essential elements of the plan which I had urged upon the committee were adopted, and a plan brought forward and accepted by the committee resulting in the reorganization of the Seaboard Air Line system in 1909, I think it was, on a basis which made the reorganization the most successful reorganization of a large system that was ever carried on in an equal period in the history of the country.

The general creditors of the Seaboard Air Line were paid in full. The stock was not assessed and the junior bondholders were given perhaps more than they ever thought they would get. The company was restored to solvency. Its new management was elected, and I was asked to go upon the board of directors and upon the executive committee, which I accepted.

I became a member of the board and of the executive committee. The system grew and the earnings went up and advanced for a year or two very satisfactorily.

About 1911 or 1912, I think it was, I became dissatisfied with some of the policies which were being pursued by the majority interests and I retired from the board. I think that was in 1911 or 1912, I do not remember which. I have had no further connection with the Seaboard Air Line Railway since that time.

I tax your patience, Mr. Chairman, in making these explanations of what is a chapter of the railroad history of the country in order that it may neutralize and offset and stamp as untrue the insinuations or statements which have been made by one of the witnesses before this committee.

Mr. Chairman, I do not know that I shall impose upon your time any more at present; but if there are any questions which I have omitted, any point in the testimony given by Mr. Cooper which may have impressed any member of this committee, I respectfully urge you to bring them up.

Senator FLETCHER. Have you mentioned the Georgia & Florida?

Mr. WILLIAMS. In 1906 or 1907, I think it was, there was brought to the firm a proposition for the development and extension of several small roads in the States of Georgia and Florida. It was suggested that we might put those roads together and extend them and make a system that would be profitable.

My firm employed the best engineering talent that it could get to go down to Georgia and to Florida to survey the situation and to make a report as to what the probable earnings would be of a railroad if extended from Augusta, Ga., to northern Florida, in a southwesterly direction, with single branch lines or feeders.

The reports of the engineers and experts were of an exceedingly favorable kind. We took every precaution that business men could be expected to take by employing not only engineers, but expert traffic men. I recall that one of the reports made upon this proposition was by the Nestor of the traffic men of the United States—Mr. A. Pope, of Georgia, who has had 60 years of experience in the railroad business, in the traffic end, principally; and the reports which they made to my firm and our associates in Baltimore, who subsequently agreed to undertake the financing of the road, were of a character which justified us in organizing a syndicate to raise five or six million dollars for the purpose of building new lines and connecting the existing short lines in Florida.

My experience on the Georgia & Alabama Railroad had been exceedingly satisfactory. I think I told you that the first mortgage bonds of that company when we first undertook the proposition were selling at about 40 cents on the dollar. As the result of our reorganization and of our subsequent consolidations those first mortgage bonds of the Georgia & Alabama Railroad or its predecessor which sold at the time we took charge at about 40 cents on the dollar, became worth, subsequently, the equivalent of about 200 cents on the dollars in the securities which were given for them.

In other words, there was a profit of about five for one at one time in the value of those securities given for those old discredited bonds which we took at the time when it was practically a wreck.

Those who brought the matter to our attention were hopeful that a similar experience might follow in the development of the Georgia & Florida Railroad.

There has never been in the history of any railroad organized in the United States a cleaner transaction or one where the bankers' commissions and profits were more moderate. The syndicate was organized on the basis of par, 100 cents on the dollar for the bonds, with a certain amount of securities, and those were subscribed to by those who participated in the syndicate, on that basis, and the bankers' commission, the cash commission, was paid to the banks on a maximum of 2½ per cent; perhaps 1 in some cases, but a maximum of 2½, which, for the financing of a railroad enterprise, is exceedingly moderate. So that the money which was paid in by the syndicate went into the road and not in the profits or pockets of its promoters.

The construction was undertaken. We had employed the very best engineers that could be found to supervise it and to watch the outgo, and it began to look well.

About that time the country traversed was overtaken by disastrous floods which interfered very seriously with the new construction and new roadbed and threw it back very seriously. I think that was probably the beginning of a succession of misfortunes which finally resulted in the receivership of that railroad, but I retired from the railroad I think either one or two years before the receivership. I resigned as president, if I remember correctly, about 1911 or 1912; I do not remember which. I think it went into the hands of receivers two or three years subsequently.

There are very great compensations for the financial losses to the owners of the road through the rapid development of the country through which the road ran and the important transportation facilities which were given to the people in many counties of Georgia and Florida and in the prosperity which has visited the entire section along the line of the road, although the security holders of the road have not profited.

The owners of the road feel that if they had been permitted to charge rates for freight and passengers larger than those to which they have been restricted under the regulations of the Interstate Commerce Commission their returns would be quite adequate and satisfactory.

The CHAIRMAN. It was sort of a philanthropic enterprise as it turned out to be?

Mr. WILLIAMS. It was not for the benefit of the original owners.

Senator FLETCHER. Have you gone into the question of the Railroad Administration taking over that road? Is this the road that Mr. Cooper said had been taken over with a deficit?

Mr. WILLIAMS. That had shown a deficit of \$518,000 the year before it was taken over, and which the Director General of Railroads has shown was —

Senator FLETCHER. You have gone into that?

Mr. WILLIAMS. Yes sir; I have filed a statement in reply to that.

Mr. Chairman, if there is any other point which I have not answered to your satisfaction, I shall be happy to have inquiries put to me by you or any member of the committee.

The CHAIRMAN. We will adjourn until to-morrow morning at 10 o'clock.

(Whereupon, at 5.12 o'clock p. m., the committee adjourned until to-morrow, Wednesday, July 16, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS.

WEDNESDAY, JULY 16, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m.
Senator George P. McLean presiding.

Present: Senators McLean (chairman), Page, Gronna, Calder, and
Keyes.

The CHAIRMAN. You may proceed, Mr. Jones.

STATEMENT OF MR. A. E. JONES, OF UNIONTOWN, PA.

Mr. JONES. My name is A. E. Jones. I am an attorney at law of Uniontown. I am a member of the bar of all our State courts and the District Court of the United States for the Western District of Pennsylvania, having practiced my profession for 20 years, and appear here to-day for some stockholders of the First National Bank of Uniontown, Pa.

The First National Bank is one of the oldest banking institutions of our county, and for years prior to the date it was closed by the comptroller, January 19, 1915, was the first on the honor roll of the national banks of our country. Its capital stock, surplus, and undivided profits amounted to about \$1,100,000, and its deposits were more than \$1,400,000. Since the bank was closed every depositor has been paid in full, with interest, and there are assets remaining, as liberally estimated by the receiver, of over \$800,000, and conservatively estimated by him of over \$650,000.

J. V. Thompson was president of the bank and a member of the board of directors for years. Sherrill Smith was the temporary receiver, and John H. Strawn is the permanent receiver.

I wish to submit to the consideration of this committee the following facts as bearing upon the fitness of Mr. Williams for reappointment as comptroller and for his confirmation.

Preliminarily, I wish to say that I attended the sessions of your committee on the 8th and 9th of this month, on my own motion, in the interest of my clients. I have been trying for the last eight months to get some information as to when the meeting of shareholders of said bank would be called to elect a liquidating agent, have the amount of the bond of the agent determined, and get some definite information as to the assets of the bank in the hands of the receiver. During those eight months I was able to get absolutely nothing done.

Learning of the meeting of this committee to take testimony as to the fitness of Mr. John Skelton Williams, the comptroller, for confirmation, I came to Washington in the interest of the stockholders, in order to see if something might not be done to get action by the comptroller in matters that greatly concerned them. I attended the sessions of your committee on those two days, arrived home on the morning of the 10th, and found a letter on my desk

from Mr. Buchanan, of the comptroller's office, as the head of the department, I believe, of insolvent banks, stating that the amount of the bond of the shareholders' agent had been determined, and that a meeting of the stockholders would be held on a date mentioned.

A Pittsburgh morning newspaper in yesterday's issue had an article on the hearing of the committee, and in that article it was stated that I was to appear as a witness for stockholders. Since Mr. J. V. Thompson is under indictment in the United States court, but not tried, his friends importuned me not to mention any matter which might involve the relationship of Mr. Thompson to the comptroller, and for that reason I limit the matters in inquiry directly to those things which directly concern the shareholders. I leave out all matters that led up to the closing of the bank, though those matters concern the stockholders, because they involve Mr. Thompson personally.

The CHAIRMAN. What relationship had Mr. Thompson to the bank?

Mr. JONES. Mr. Thompson was president of the bank and a member of its board of directors.

Senator PAGE. Would there be any objection to your stating, just in a word, something about Mr. Thompson, so that we will have it before us?

Mr. JONES. Mr. Thompson has been called the coal king. He invested in virgin coal lands to the extent of some 140,000 acres. He associated with him many other men and women of our locality in the investment in virgin coal lands, and became a very heavily involved on that account, and in doing that he borrowed, directly and indirectly, a great deal of money from this First National Bank. He is now in the bankruptcy court, and the First National Bank has been in the hands of the receiver since January 19, 1915.

Senator PAGE. And are the misfortunes of that bank supposed to be directly traceable to Mr. Thompson?

Mr. JONES. I presume that may be conceded. That is the general impression.

Senator PAGE. And he is now under indictment?

Mr. JONES. And he is now under indictment in the United States court and untried, and I do not care to say anything that involves him.

Senator PAGE. That is sufficient. I wanted to know just a little more about the case than I did from your first statement.

Mr. JONES. First, among the assests of the First National Bank of Uniontown, there was an 11-story bank building, carried as an asset at the amount of \$976,000 or \$996,000 at the time the bank was closed. That bank building was sold by the receiver, after proceeding in the United States court, for \$700,000, and so far as I am able to get the data the sale of that bank furnished sufficient proceeds practically to pay all of the depositors and creditors of the bank in full with interest.

Senator PAGE. Was there any justification for such a large investment on the part of so small a bank—that is, an investment in an office banking building?

Mr. JONES. I am not prepared to answer that question, because the bank building, in the community, was reputed to be paying anywhere from 3 to 6 per cent on rental values. The rents have since been increased probably a half, or may be two-thirds.

Before that bank building was sold a public meeting was called to consider the advisability of its sale, and there were invited to that meeting the stockholders, creditors of the bank, depositors and creditors of Mr. Thompson, and a resolution was passed to the effect that it was ill advised to sell that building at that time, under all the circumstances, and the substance of that resolution was telegraphed by me to Mr. Williams.

This building was appraised by a competent engineer just before the time of its sale, as I was advised by one man, at \$1,820,000, and later by an individual who is an officer in the banking institution that now owns it, at one million eight hundred and seventy thousand and some odd dollars.

In the fall of 1914 Mr. Thompson deposited with the Comptroller of the Currency 3,000 shares of the Liberty Coal Co. and 7,000 shares of the Wetzel Coal & Coke Co. for purposes, as stated in his bill filed in the District Court of the United States for the Western District of Pennsylvania, first, of securing payment on all indebtedness of said Thompson to the First National Bank of Uniontown, Pa.; second, of securing and protecting all depositors of said First National Bank of Uniontown, Pa., from loss; and, third, to secure the payment of the notes of the said Thompson held by other national banks.

At the time of the sale of the First National Bank building these 10,000 shares of stock were undisposed of. In the same bill, filed in the said court by the comptroller, at No. 192, May term, 1918, it is alleged that there was an agreement between the comptroller and Mr. Thompson that those 10,000 shares of stock might be redeemed within a period of time mentioned therein at \$750,000.

Senator PAGE. Let me interject this suggestion here: What do you tell me the deposits of that bank were at that time?

Mr. JONES. About \$1,400,000, as I remember, generally.

Senator PAGE. And the capital and surplus?

Mr. JONES. About \$1,100,000.

Senator PAGE. And still they had one asset that you say was appraised at \$1,800,000?

Mr. JONES. That was appraised at \$1,800,000.

Senator PAGE. As I understand it, the purpose of these remarks on your part is to sustain the suggestion that the comptroller has acted unwisely?

Mr. JONES. Yes, sir, and unfairly, in the handling of the assets of this bank.

Senator PAGE. Can you tell me, in a moment, what justification as a banker, any banker would have for putting these amounts of assets into so small an institution, and is not the comptroller right, so far as can be seen here, in criticizing the conduct of the bank?

Mr. JONES. He might have been justified in criticizing the policy of the bank; he might have been justified in demanding of the bank that it change the character of its assets. But when the bank was closed, the question now is, has he handled the affairs of the bank, and has he managed the assets of the bank, so as to protect the creditors of the bank, depositors, and the stockholders, as I understand it is his duty to do.

Senator PAGE. And the bank was closed upon the initiative of Mr. Williams?

Mr. JONES. I am not advised as to that further than this, the bank did not open its doors on Monday morning. Whether or not

Mr. Williams had so directed, whether or not a receiver was there in charge at 9 o'clock to prevent the opening of the doors, I am not advised.

It will be observed that this collateral stock was hypothecated with the comptroller for three purposes:

First, to guarantee all debts of Mr. Thompson to the bank;

Second, to secure all depositors;

And third, any surplus to be applied to the payment of any notes of Mr. Thompson in other national banks.

At the time, as I said, that the bank building was sold, this stock was undisposed of. At the time Mr. Williams instituted the said suit in equity at No. 192, May term, 1918, in the District Court of the United States for the Western District of Pennsylvania, by his bill, a copy of which I submit in evidence, it appears that that bill must have been filed some time prior to March 21, 1918, the bank building having been sold on February 23, 1918.

Senator PAGE. Under the laws of Pennsylvania, by what right did Mr. Williams appear? That is not a national bank?

Mr. JONES. Yes, sir.

Senator PAGE. It is a national bank?

Mr. JONES. Oh, yes; the First National Bank of Uniontown.

Senator PAGE. I beg pardon. I thought it was the Union Savings & Trust Co.

Mr. JONES. No. The trust company is now the owner of the bank building.

The contention as between the stockholders and Mr. Williams with reference to this matter is based upon the construction of the agreement by which this stock was hypothecated. I do not have a copy of the agreement, and I ask permission to submit it later, if I am able to obtain it. I understand that the papers in this equity case are now in the hands of the district court on appeal, and I have not been able to get access to them for the purpose of making copies of such papers in that proceeding as I would like later to submit to the committee.

The CHAIRMAN. You will have that opportunity.

Mr. JONES. In reference to the agreement between the comptroller and Mr. Thompson by which this and other stocks, the property of Mr. Thompson, were hypothecated, I want to submit copies of some letters which I was able to obtain at the time I attempted to intervene in the said equity case on the part of the stockholders. And in that connection I first offer the letter of October 30, 1914, of William F. McCombs, of the law firm of McCombs, Ryan & Gordon, of New York City. That may not have been the style of the firm at the time the letter dated October 30, 1914, was written, but it is the same McCombs. This is a letter addressed by Mr. McCombs to Hon. J. P. Kane, Deputy Comptroller of the Currency, Washington, D. C., and is as follows:

OCTOBER 30, 1914.

Hon. J. P. KANE,

*Deputy Comptroller of the Currency,
Treasury Department, Washington, D. C.*

My DEAR MR. KANE: Mr. J. V. Thompson has turned over to me your letter to him of October 23, 1914. You state in that letter that "all of the notes covered by your trust deed, whether indorsed by you or otherwise, must be paid to the bank without further delay, * * *." Mr. Thompson is of the opinion that the agree-

ment under which the trust deed was given provides that he is to pay the outstanding notes or be relieved of his indorsement on them. He tells me that all of the notes on which he is liable have been paid with the exception of eight or ten thousand dollars not yet due. On all notes not already paid or not in the class mentioned as not yet due he has been relieved of his indorsement. I advised Mr. Thompson that it could not be your intention to insist that he make payment of notes on which he was not liable; that is, notes on which he has been wholly relieved as indorser. I assume the clause "indorsed by you or otherwise," which I have underscored above, was not intended to include notes with which Mr. Thompson is no longer concerned. If I am in error as to the meaning of the clause in question will you not kindly advise me promptly of the facts in the matter so that I may inform Mr. Thompson of what action he must take in the premises.

Very truly, yours,

WM. F. MCCOMBS.

In connection with that correspondence I want to read into the record the clauses of the trust deed that was given by Mr. Thompson to John S. Wendt, I believe, attorney for the comptroller, hypothecating or putting up as security certain coal lands in West Virginia, to insure the liability of Mr. Thompson to the bank. This trust deed was made for the purposes:

First. To the obligations of said Josiah V. Thompson for which he is directly liable to the First National Bank of Uniontown, Pa.

Second. To the obligations of the said Josiah V. Thompson for which he is indirectly or secondarily liable to the First National Bank of Uniontown, Pa.

I now submit the letter of Sherrill Smith, temporary receiver of the First National Bank of Uniontown, addressed to Thomas R. Ryan, Esq., of the same law firm, of New York City, as follows:

FRICK BUILDING ANNEX,
Pittsburgh, March 1, 1915.

THOMAS R. RYAN, Esq.,

Care of Messrs. Gordon, Ryan & McCombs, New York, N. Y.

DEAR SIR: As you may know, I am receiver of the First National Bank of Uniontown, of which Mr. J. V. Thompson was president. I am informed, as I wrote you recently, that some time prior to the failure of that bank Mr. J. V. Thompson assigned and transferred to you certain securities in trust, substantially as follows:

First. To secure the payment of his (Thompson's) direct and indirect indebtedness to the First National Bank of Uniontown.

Second. To indemnify or protect the depositors of the First National Bank of Uniontown from loss by reason of the insolvency or inability of the bank to pay them.

The Comptroller of the Currency has authorized me to get from you full information as to the securities here pledged and the terms and provisions of the agreement under which they were pledged. The information which I have was received from Mr. J. V. Thompson.

This letter will be presented to you by John S. Wendt, Esq., of Pittsburgh, Pa., my attorney, who is authorized to take the matter up with you and procure such information as he may deem necessary for the protection of my interests as receiver.

Very truly, yours,

SHERRILL SMITH,
Receiver of the First National Bank of Uniontown.

I now submit the letter of John S. Wendt, dated March 4, 1915, as follows:

FRICK BUILDING ANNEX,
Pittsburgh, March 4, 1915.

FREDERICK R. RYAN, Esq.,

96 Broadway, New York, N. Y.

DEAR SIR: In order that you may have before you a memoranda of the information I desire in relation to the pledge of certain stock to you by J. V. Thompson, which you promised to give me, I have to say that I would like to have your statement of facts include the following information:

(1) What demand, if any, was made by the Comptroller of the Currency for security from J. V. Thompson, and how and when the demand was made, and, if oral, to whom

it was made and who was present, and, if in writing, a copy of the letters of the comptroller relating to the matter.

(b) When the stock certificates were delivered to you and by whom, what was stated to you at the time of delivery, and, if the delivery was accompanied by any letter, a copy of the letter.

(c) Whether you issued any receipt for the stock certificates or wrote any letter acknowledging the receipt thereof, and, if so, copies of said receipt or letter.

(d) Copies of any letters written by you to the Comptroller of the Currency and his replies relating to this matter.

Very truly, yours,

JOHN S. WENDT.

I will now submit a letter of Mr. Thompson, dated Uniontown, March 18, 1915, as follows:

FIRST NATIONAL BANK OF UNIONTOWN,
Uniontown, Pa., March 18, 1915.

FREDERICK R. RYAN, Esq.,
New York, N. Y.

MY DEAR MR. RYAN: Mr. Sherrill Smith, receiver, came out to see me this evening, and asked me to write him a statement for what purposes the certificates were deposited, which I have done and inclose you a copy of the letter I have written, which is practically in accord with the letter Mr. McCombs wrote to Mr. Williams. Please have the agreement drawn to protect me, naming some definite time or conditions for the termination of the escrow agreement.

I am arranging to go to New York next week and hope to see you there about the middle of the week.

Yours, very truly,

J. V. THOMPSON.

And of the same date I submit a letter of Mr. Thompson as follows:

OAK HILL,
Uniontown, Pa., March 18, 1915.

SHERRILL SMITH, Esq.,
Receiver, First National Bank, Uniontown, Pa.

MY DEAR SIR: Answering your question in regard to the certification for 10,000 acres of coal lands which I left with Mr. Frederick R. Ryan, of New York, for deposit with the Comptroller of the Currency, in accordance with arrangements made with said comptroller at a former conference between him, Mr. Ryan, and myself, would state that they were to be deposited—

First. To secure the payment of any and all indebtedness to said bank on which I was in any way liable (which, of course, would inure to the benefit of the depositors).

Second. To secure from loss, equally and ratably, all depositors of the First National Bank, Uniontown, Pa.

Third. As a protection and security to all national banks who may have discounted and owned any note or notes of mine.

Fourth. Proper agreement covering the terms of this collateral deposit, to be furnished to me on delivery of same.

Yours, very truly,

I do not have the form in which the letter was signed.

I now submit a letter of John S. Wendt, attorney, dated April 1, 1915, as follows:

FRICK BUILDING ANNEX,
Pittsburgh, April 1, 1915.

Messrs. McCOMBS, RYAN & GORDON,
90 Broadway, New York, N. Y.

GENTLEMEN: Replying to the letter of Frederick R. Ryan, Esq., of the 31st ultimo respecting the form of the agreement of deposit of the 3,000 shares of the capital stock of the Liberty Coal Co. and 7,000 shares of the capital stock of the Wetzel Coal & Coke Co. which were delivered to Mr. Ryan by J. V. Thompson on October 29, 1914, in trust: (1) to secure payment of all indebtedness of Thompson to the First National Bank of Uniontown and to secure and protect all depositors of said First National Bank of Uniontown from loss and (2) to secure payment of notes of Thompson held by other national banks, I have to say that I herewith inclose a memorandum embodying the

terms of the pledge or deposit in which, after consulting Receiver Smith, I have incorporated the suggestion made in Mr. Ryan's letter as to the time to be allowed Mr. Thompson to readjust his affairs. Please advise me if this form of agreement is satisfactory.

In submitting this form of agreement, please understand that it is done without prejudice to the claim of the receiver of the First National Bank of Uniontown, that you already hold this stock under a valid, legal, and enforceable pledge or trust for the purposes set forth in the inclosed agreement. We are willing, however, and think it advisable, that a written agreement be entered into, and are willing to consent to the insertion of the term suggested by you, because we believe it is such as was reasonably implied in the agreement made between Thompson and the comptroller under which this stock was delivered to you.

Very truly, yours,

JOHN S. WENDT, *Attorney*
For SHERRILL SMITH, *Receiver*.

After the bank building had been sold and the funds realized with which to pay all creditors of the bank, as I stated a minute ago, the stock still being in the hands of the comptroller, the comptroller filed the said equity suit, naming John H. Strawn receiver of the First National Bank of Uniontown, Pa., as one of the defendants, and did not name the stockholders other than the trustees of Mr. Thompson. At the suggestion of all of the stockholders, with the exception, possibly of two—and as to one of them I was authorized by the attorney of the stockholder, who was not then in the city, being in the South for the winter—a petition was presented by me and my associate counsel to the United States district court to intervene in that equity case in order that their rights to the proceeds of the sale of this stock might be protected. Permit me here to call the committee's attention to the prayer of the comptroller's bill filed in said equity cause, as found on page 12 of the bill:

First. That your honorable court will adjudge and decree that your orator holds the corporate stocks above mentioned as pledgee in trust, for the purposes, first, of securing payment of all indebtedness of said J. V. Thompson to the First National Bank of Uniontown, Pa.

Second. Of securing and protecting all depositors of said First National Bank of Uniontown, Pa., from loss.

Third. To secure the payment of notes of said Thompson held by other national banks.

The independent stockholders, knowing the position of Mr. Strawn with reference to the fact that this stock had been hypothecated to insure the payment only of Mr. Thompson's direct indebtedness to the bank, which amounted to \$199,694.77, and his indirect indebtedness, amounting to \$897,756.54, desired to intervene in order that they might be parties defendant and entitled to be heard with reference to the construction of this agreement and the making of a decree embracing the first prayer of the comptroller's bill.

John S. Wendt, attorney for the comptroller, appeared before Judge Orr, of the United States District Court for the Western District of Pennsylvania, and opposed the prayer of the petition I presented on behalf of the shareholders to intervene, and succeeded in having the court rule that because Mr. Strawn was the receiver of the bank, a defendant, and was in law representing the shareholders as well as creditors of the bank, they were already parties to the suit, and would not be permitted to intervene and be heard.

With reference to Mr. Strawn's attitude toward the construction of this agreement, and as indicating the purpose of the comptroller in filing the bill to sell and have distributed the proceeds of that stock

after the sale of the bank building, and having in hand ample funds as I am informed, to pay depositors and creditors of the bank, I now quote from a letter of Mr. A. A. Thompson, son of J. V. Thompson, to his father in reference to this matter, a sentence which I was able to get at the time, as I said, I was gathering the data with reference to the rights of these stockholders in this hypothecated stock. From that letter I quote the following language in reference to Mr. Strawn:

Mr. Strawn claims now that he can only apply this money 'agreed value if redeemed \$750,000) to the obligations in the bank which show on the face of them that they are legally yours [Mr. Thompson's].

All of this, after the Thompson letter to Sherrill Smith, the correspondence between McCombs and Ryan of the comptroller's office, and the verbal agreement with the comptroller at the time the stock was hypothecated, and the drawing up of the written agreement in which the indebtedness of Mr. Thompson to the First National Bank was defined as all.

The CHAIRMAN. Mr. Jones, you are laying the foundation, I suppose, for a conclusion?

Mr. JONES. Yes.

The CHAIRMAN. Do you mind stating to the committee now what you intend to show? It may assist us, perhaps, in following your testimony.

Mr. JONES. Of course, I am going to submit in the end the following summary. In order that you may see the pertinency of my comments as I go along, I will state it now.

Had this hypothecated stock been redeemed at the agreed price, \$750,000, or had it been sold for that amount, there would have been realized by the comptroller \$50,000 more than the bank building sold for.

Had the stock been sold instead of the bank building, and \$50,000 more applied to Mr. Thompson's direct and indirect indebtedness to the bank, the assets of the bank to-day would be \$50,000 larger than they are, and the stockholders would still have their bank building, appraised, at the time of the sale, at \$1,820,000.

With reference to that the point is this, that the comptroller began at the wrong end of the administration of the assets of the bank with reference to the disposition of the assets of the bank concerning the sale of the building and the disposition of this stock.

In addition to the loss of the building as an asset of the bank, the stockholders have lost as assets interest on the deposits, amounting to over \$240,000. The stockholders have lost dividends for the last four years, which, at the modest rate of 10 per cent, amounts to \$440,000. This bank has been paying dividends at the rate of 22 per cent for the last 15 years or more.

A sale of the stock of this bank having been made about a year and a half before it was closed, indicated that the market value was \$1,800 per share. The loss to the stockholders has been at least, on the market value, \$300 per share, or \$300,000. Estimating the loss on the sale of the bank building at \$1,500,000; \$240,000 as interest on deposits; \$440,000 as dividends; \$300,000 on market value of the stock; and \$100,000 estimated expenses of administration—we have no data on which to base that estimate—it amounts in all to \$2,780,000 loss to the stockholders, and still there are assets of this

bank, as I am informed the estimate of the receiver in the hands of the comptroller's department shows, of more than \$650,000, and every depositor paid his deposits in full. And, so far as I can get any information, not a dollar of Mr. Thompson's direct indebtedness has been paid to the bank, and as to the amount of his indirect indebtedness that has been paid I am unable to get any definite information. There have been no reports on the part of the receiver or comptroller, so far as I have any information. The only information I was able to get was what I came to Washington for personally last November.

The CHAIRMAN. Who was responsible for the appointment of this receiver?

Mr. JONES. My understanding of the law as to this is that Mr. Williams is wholly responsible for the appointment of Mr. Strawn as receiver of this bank.

Senator KEYES. May I ask about the stock that was hypothecated, which I understand you say was worth \$750,000?

Mr. JONES. That was the agreed price for redemption.

Senator KEYES. That was a stock that was marketable. There was a demand for it, and it could have been disposed of?

Mr. JONES. There was not, probably, much demand for that stock at that time, any more than there was for Mr. Thompson's coal land. This stock was represented by coal lands, an acre of coal corresponding to a share of stock. But the price agreed upon between Mr. Thompson and Mr. Williams was \$750,000.

The CHAIRMAN. Now you may proceed, Mr. Jones.

Mr. JONES. I do not know, Mr. Chairman, that I would care to go into the details. I covered these three points that I wanted to mention, the sale of the bank building, the hypothecation of this stock, and the effort of the Comptroller to sell that stock, after, so far as we have information, there was sufficient cash in hand to pay all depositors, with interest. At least this stock has not yet been sold, and all depositors have been paid in cash, principal and interest.

The position of the shareholders in this, that the Comptroller of the Currency, John Skelton Williams, and his receiver, Mr. Strawn, deliberately attempted to limit the construction of that agreement so as to arrive at the conclusion that the hypothecated stock was to insure only Mr. Thompson's direct indebtedness, which amounts to one hundred and ninety-nine and some thousand dollars, but not his indirect indebtedness, which amounts to practically \$900,000, and that the sale of the bank building was made at the time it was in order to eliminate the second purpose for which this stock was hypothecated, as expressed in the agreement between Mr. Thompson and Mr. Williams, by which the stock was actually delivered to Mr. Williams. It appears already that the stock was delivered, first, to Mr. Ryan, of the law firm of McCombs, Ryan & Gordon, of New York City; and I now offer in evidence the petition in the court of common pleas of Fayette County, Uniontown, Pa., at No. 744 in Equity, by which it was agreed by all parties in interest, and authorized by the court, to be turned over personally to Mr. Williams. I want to put that in evidence to show that Mr. Williams has actual possession of this stock.

Mr. JONES. I do not know that he ever was prior to the time he was appointed receiver of the bank at Waynesburg. Whether he was a bank examiner or not I do not know.

The CHAIRMAN. Have you taken an appeal from the decision of the court in declining to let you intervene?

Mr. JONES. I do not believe I could. I think that would be merely an interlocutory decree. There is no question, Mr. Chairman, so far as the legal proposition is concerned. Judge Orr said to me at the time of the presentation of this petition that if we would attack the receiver of the bank and show any unfairness or dishonesty on his part, he would allow us to intervene, but I said to him that we did not choose to do that. I said "Mr. Strawn has charge of the bank and we do not choose to incur his enmity in attacking him."

The CHAIRMAN. Why not, if you were going to save \$2,000,000?

Mr. JONES. The bank building had already been sold.

The CHAIRMAN. It was too late?

Mr. JONES. It was too late as far as the bank building was concerned; and the only question now is the value of this coal stock and whether or not it is to be sold. When I learned that an appeal was to be taken in the case I made specific inquiry as to that, and when I learned that an appeal was to be taken——

The CHAIRMAN. By whom? Make that clear.

Mr. JONES. I made inquiry of the attorney for the trustees of Mr. Thompson, and they are parties defendant in the equity case, and being advised by the attorney for the Thompson trustees that an appeal would be taken, I did not press my petition to intervene further, because I expected that the bank would be out of the hands of the receiver before that appeal would be decided.

The CHAIRMAN. Was the appeal taken, and was it decided?

Mr. JONES. No, sir; the appeal is still pending.

The CHAIRMAN. What question was involved in the appeal?

Mr. JONES. I am not advised. As I said, that record is in the hands of the appellate court and its office is in Philadelphia, and that is one reason why I do not know.

The CHAIRMAN. Can you get the committee a copy of that letter?

Mr. JONES. I will. That is one reason why I made the request of the committee when I got the telegram from the chairman to appear here this morning that my appearance be postponed until next Tuesday. I wanted to get that record. I intended to be in Pittsburgh to-day and to get a copy of the docket entries; and if those papers are in Philadelphia I will have to go to Philadelphia for them.

The CHAIRMAN. Can you get for the committee any reliable statement as to the value of the bank building by disinterested appraisers?

Mr. JONES. I will attempt to do so.

The CHAIRMAN. I wish you would, for it seems to me that is important, if this building was sacrificed, and if this receiver was appointed by the comptroller.

Mr. JONES. It was sacrificed to the extent, if the committee please, that it was sold before this collateral stock was sold. To that extent it was sacrificed.

Senator WALSH. What was the assessed value of the building?

Mr. JONES. For taxable purposes?

Senator WALSH. Yes.

Mr. JONES. I do not know.

Senator WALSH. That would help us some.

The CHAIRMAN. Your idea is that the stock should have been sold as personal property?

Mr. JONES. That is the idea, yes; that this collateral stock should have been sold first, because it is to pay, first, Mr. Thompson's direct indebtedness in any event and, we contend, his secondary liabilities, and then it was to insure payment of all depositors. If the depositors are paid and they construe this agreement to mean only Mr. Thompson's direct indebtedness, then the stockholders of this bank will get only about \$200,000, maybe \$275,000—there is a contention there—out of the proceeds of this stock, but if the stock was hypothecated for the payment of Mr. Thompson's direct indebtedness, then if this stock sells for a million dollars it all goes to the benefit of the stockholders and other parties creditors of Mr. Thompson.

The CHAIRMAN. Can you get us a copy of that agreement?

Mr. JONES. It is in the record, as I understand, concerning that stock. That is a record in the hands of the appellate court.

The CHAIRMAN. Has the legal effect of that contract ever been determined by the court?

Mr. JONES. I will have to get a copy of the decree in this equity case to determine that.

The CHAIRMAN. Then I think we had better postpone this hearing—

Senator WALSH. Was this called to Mr. Williams's attention?

Mr. JONES. I am personally responsible for calling a public meeting remonstrating against the sale of the bank building. At that meeting the stockholders were invited to attend, Mr. Thompson's creditors were invited to attend, the depositors and all parties interested were invited to attend, and a resolution was passed against the advisability of the sale of this building.

Senator WALSH. Was that sent to Washington?

Mr. JONES. I wired Mr. Williams a night letter containing the substance of that resolution.

Senator WALSH. How long after that was the building sold?

Mr. JONES. The building was sold February 23, 1918.

Senator WALSH. When was this meeting?

Mr. JONES. The meeting was the day before. We were attempting to negotiate with the receiver up to the final moment. Efforts were made, as I recall, in Pittsburgh, to get a restraining order, and I want to submit the record of that proceeding to the committee.

Senator WALSH. The record probably, Mr. Chairman, covers what I wanted to know, and I do not care to repeat. I was wondering how far the witness has connected his allegations with the comptroller.

Senator GRONNA. Was this meeting largely attended by the stockholders, Mr. Jones?

Mr. JONES. Yes, sir; that is my general recollection. There are not many stockholders. I have got a list of them here. I am going to leave this petition with you for such use as the committee may want to make of it. The stock is in the hands of the executors of two or three estates, and then it is in the hands of some other individuals, associates of Mr. Thompson, who are now in bankruptcy, as trustees, and then there are a number of other individuals. You will notice E. C. Hackney's name here. I had authority, through

his attorney, Judge Humble, to present this petition in his behalf; and possibly one or two other persons named here. I may have had authority from Thomas Seamans. But so far as I know, all the stockholders in the vicinity of Uniontown attended that meeting, and Mr. Thompson attended it, and I think probably all parties in interest.

Senator WALSH. Had anything previous to that meeting been said or done in order to let the comptroller know of the dissatisfaction with regard to that sale?

Mr. JONES. Samuel Untermyer, of New York City, was attorney for the creditors—

Senator WALSH. Can you not answer that?

Mr. JONES. I am going to answer it in this way: I was told that Mr. Untermyer made a personal visit to Mr. Williams and attempted to get him to postpone the sale of that building as requested by the creditors' committee or by the trustees of Mr. Thompson, in bankruptcy, and that Mr. Williams is alleged to have made the reply that the matter was in the hands of Mr. Strawn, who was on the ground and he would be permitted to use his own judgment. Whether or not that is true, I am not in position to say.

Senator CALDER. How much is the capital stock of the bank?

Mr. JONES. \$100,000.

Senator CALDER. What is the surplus?

Mr. JONES. I think about a million dollars.

Senator CALDER. What are the total deposits in the bank?

Mr. JONES. \$1,300,000. These are in round numbers.

Senator CALDER. The depositors have been paid in full?

Mr. JONES. The depositors have been paid in full, and the assets remaining, as estimated by the receiver—so I got the information from the comptroller's office—are \$600,000, and liberally estimated at something over \$800,000.

The CHAIRMAN. Is it probable that the bank will continue to do business? Has the receiver been discharged?

Mr. JONES. No, sir; the receiver is not discharged.

The CHAIRMAN. Is it probable that he will be and that the bank will continue?

Mr. JONES. That is the question. I made inquiry of the comptroller's department with a view of advising my clients with reference to that, and the information I got from Mr. Kane indicated a very strenuous opposition on the part of the comptroller to allowing the bank to resume with Mr. Thompson having any connection with it.

The CHAIRMAN. If you can give the committee any disinterested testimony fixing the value of that bank at the time it was sold, we would like to have that information.

Mr. JONES. Suppose I attempt to get the name of the engineer who made the appraisal. Would that be what you desire?

The CHAIRMAN. We want competent, disinterested testimony.

Mr. JONES. He made the appraisal to advise the purchasers of the building. I will attempt to get the name of that engineer.

Senator WALSH. May I suggest that you furnish us with a record from the tax commissioners or authorities of that city showing what valuation was put upon it for taxable purposes?

Mr. JONES. I will agree to do that. If that is of much moment, the committee will probably have to have a valuation of adjoining

properties, because the general impression and understanding in our community is that all the buildings of this man Strawn are of very low valuation——

Senator WALSH. I think the members of the committee have had experience enough to know the uncertainty of tax values.

Mr. JONES. Oh, yes. I shall be glad to furnish you the data.

The CHAIRMAN. Was the property assessed at its full value, or assessed at a certain proportion?

Mr. JONES. Well, I think its proportional value. That is why I say you would have to have valuations of the adjoining properties.

The CHAIRMAN. We will give you another opportunity, and perhaps it is just as well for you to discontinue your testimony now, if you have put in all that you cared to.

Mr. JONES. Oh, yes; I have put in all that I care to.

The CHAIRMAN. Unless the other members of the committee wish to ask you any more questions, you may be excused.

(After informal proceedings, which the reporter was directed not to record.)

Mr. JONES. One man told me that he was summoned to Washington and directed to lift a deposit he had made of some \$250,000. I will give you the name of that man if you choose to subpoena him. I do not care to quote him and do not care to give his name unless the committee desires the information.

Senator WALSH. Are you contending that that was done through malice, or that it was a suggestion made to a man to protect himself, knowing that there was something uncertain about it?

Mr. JONES. He was an officer of the bank and he put the money in there to provide cash for the business, with which to continue the business of his bank, and as I understand it, he was directed to take it out because of the comptroller's claim that it was unlawfully deposited; but how long after the comptroller permitted the bank to be opened after he directed that deposit to be taken out, and how long he permitted the general public to deposit there, I am not advised.

The CHAIRMAN. Mr. Jones, it is suggested that you get more than one engineer, if you can, to make an estimate on the building. You understand the point we want to get at?

Mr. JONES. Yes, sir; I understand. My understanding is that there are probably two appraisers, one who made the appraisement for the individual who bought the bank building and one who made the appraisement for the banking institution or trust company that bought it from this individual. I understand the banking institution paid the individual \$750,000 for it, although I have no positive information as to that. If the consideration is stated in the deed I might give you that, if you want that.

Senator GRONNA. You also suggest, Mr. Jones, that you might give the name to the committee of this party who withdrew his large deposit. I would suggest that you leave that name with the chairman.

Mr. JONES. All right; I will be glad to do that.

The CHAIRMAN. Give it to the secretary.

Mr. JONES. Yes, sir.

The CHAIRMAN. Mr. Williams, are you prepared to go on?

Mr. WILLIAMS. I would like Mr. Jesse Adkins, counsel in the injunction suit, to make a statement in regard to the case, if the committee please.

**STATEMENT OF MR. JESSE C. ADKINS, ATTORNEY AT LAW,
WASHINGTON, D. C.**

Mr. ADKINS. Mr. Chairman and gentlemen of the committee, my name is Jesse C. Adkins. I am a member of the bar, practicing in Washington. From 1912 to 1914 I was Assistant Attorney General of the United States and had before that time been assistant United States district attorney in Washington. While in the Department of Justice I had charge of matters relating to national banks. I was one of the counsel for the defendants in the suit brought in the supreme court of the District by the Riggs National Bank, which has been discussed here. As I understand it, the committee desires to hear something about that case.

It was a bill in equity brought by the Riggs National Bank itself against the Secretary of the Treasury, the Comptroller of the Currency, and the Treasurer of the United States. The real object was to restrain the collection of a fine of \$5,000, or a penalty of \$5,000, which had been assessed by the comptroller because of the failure of the bank to make a special report which he had called for.

In addition to the effort to restrain the collection of that penalty, it was sought to restrain the collection or the assessment of other penalties and the calling for other special reports. The real question in that case was as to the power of the comptroller to make and enforce these calls for special reports.

You gentlemen, I think, are familiar with the sections of the statutes which are involved—sections 5211, 5212, and 5213 of the Revised Statutes. Section 5211 provides for five reports to be made, or not less than five reports to be made, by each bank in one year, at times to be called for by the comptroller. That report is made upon a form prescribed by the comptroller. The facts given by each bank are the same. It relates simply to the assets and liabilities of the bank.

There is a further provision in that section, the concluding provision, that the comptroller shall have the power to call for special reports whenever in his judgment the same are necessary to a full and complete knowledge of the condition of the bank.

As I say, the dispute in the Riggs Bank case centered around the proper conception of that statute. It was contended by the bank that this special report should be no more than any other general report; that is, that under that section if the comptroller did not want to call for a report from every bank in the country but wanted to get an additional report from a specific bank he could do it by making a separate call.

It was further contended that the term "condition of the bank" related merely to the assets and liabilities and had nothing to do with any past transaction and had nothing whatever to do with the character of the management of the bank or whether the bank or its officers had violated the law or not.

You can see that that raised a very interesting question and one which was of vast importance to the banks of the country and to our currency system.

All the other features in the case led up to that one question. That was the real question in the case.

The power of the comptroller to call for the reports for which he did call was fully sustained by Mr. Justice McCoy, who heard the case. He granted an injunction as to the penalty which had been assessed, on the ground that the comptroller had directed that the particular report be sworn to by more officers than the statute prescribed—purely a technical ground. The statute prescribes, as I recall it, that the report shall be sworn to by the president or cashier and attested by three directors.

In that particular instance the comptroller directed that the report be sworn to by, I think, four officers of the bank, and it may be that many of his other calls were couched in the same language.

The bank, as I recall this bill, did not put its suit upon the ground that the comptroller had directed that the reports be signed by people who were not required to sign them. That would have been entirely too technical. I do not think they would have thought of going into court on that particular ground; but that is the only ground on which the injunction was granted. As to everything else, as to the substance of the case, the chief justice, in a very lengthy opinion, took up everything that was involved in the case, right down the line, and in a lawyer-like manner discussed the evidence on both sides and sustained not only the power of the comptroller, but his conduct in every specific case.

Senator WALSH. What is the name of the chief justice?

Mr. ADKINS. Chief Justice McCoy, of the Supreme Court of the District of Columbia. In fact, he said he could not understand why men occupying the responsible positions that these men did occupy should hesitate for a moment to make the report upon which the penalty was assessed.

You will recall that the report was called for in a letter of January 22, 1915, and it was a request for a list of all loans made to the officers of the bank, either directly, in their own name, or indirectly or by means of concealed or "dummy" notes of clerks or others; and the chief justice said that he could not understand why men in their position should hesitate for an instant, whether the comptroller had the power or not, to make a report of that kind.

I am frank to say that, personally, I have never been able to understand why the Secretary of the Treasury was made a party to that suit. The bill was dismissed by the court as to him. The court said there was nothing there to justify the bill as to him.

The object, as I have mentioned, was to restrain the enforcement of these penalties. The statute, in section 5213, I think, or 5212, provides—there are two or three characters of report, a general report, a special report, and another report as to dividends, some to be filed within five days and some within 10 days. One of the sections provides that for failure to file reports within the respective times mentioned, the bank shall be liable to a penalty of \$100 a day, and goes on to say that when the penalty has been assessed by the Comptroller the Treasurer of the United States may retain the amount of the assessed penalty out of interest due the banks upon bonds which they have deposited to secure their circulation.

So that if you look at the statute there is apparently no justification at all for including the Secretary of the Treasury as a party to this suit. The object was to restrain the comptroller from enforcing the payment of this penalty and was to restrain the Treasurer of the United

States from covering that \$5,000 penalty which had been assessed into the Treasury. There was nothing under the law which the Secretary had to do in connection with it.

Senator GRONNA. Was the bank compelled to pay this penalty?

Mr. ADKINS. You see the money was already in the hands of the Treasurer. Every national bank having currency must deposit necessary bonds with the Treasurer of the United States for security. When the interest falls due—I think it is quarterly in that case, on the 1st day of April—it is the duty of the Treasurer—under the statute it is made his duty—when the comptroller notifies him that the penalty has been assessed, to refuse to pay that money over, and to turn it in to the Treasury of the United States.

Senator GRONNA. Was the finding of the court to the effect that the bank had to pay this penalty?

Mr. ADKINS. No; the finding of the court was that the comptroller was entirely within his power as to the substance of his call, and that a penalty might be imposed; but in the particular call in question the comptroller had said, "Let your report be signed by the president, the vice president, the cashier," we will say, three or four officers he had mentioned. The statute provides that the report shall be sworn to by the president or cashier and be attested by three directors. The comptroller overlooked the precise language of the statute and directed that the report be sworn to by four officers, more than the statute authorized. So upon that construction of the statute, that technical ground, the court said:

This being a criminal statute, it must be construed strictly, and therefore you can not enforce this penalty upon this particular call.

So that the money was paid over to the bank.

The CHAIRMAN. You have had your attention called to Mr. Hogan's testimony, I presume?

Mr. ADKINS. Yes, sir. I heard it.

The CHAIRMAN. On page 56—just in the interest of saving time, possibly—

Mr. ADKINS. I may say, Mr. Chairman, that I had not intended to take up in detail everything that Mr. Hogan said. It is entirely unnecessary.

The CHAIRMAN. You will find on page 56 where Mr. Hogan summarizes the issues that were joined and the questions that were really decided. He says there:

When we went to hearing there were just exactly these and no other questions that the court could pass upon.

Have you got that point?

Mr. ADKINS. I have it. I heard him.

The CHAIRMAN (reading):

First. Must the motion of the defendant to dismiss the case be granted or overruled?

Is that a correct statement?

Mr. ADKINS. I should say no. That statement is not correct; and if you will permit me I will undertake to explain what I understand to be the issues involved there. It is almost the next thing which I desired to take up. Perhaps if you will let me go on in my regular order—

The CHAIRMAN. In your own way; but that is my idea, you understand?

Mr. ADKINS. I understand. As I understand, Mr. Hogan called attention to four or five things which transpired at that trial which he said, either directly or indirectly, showed very strongly that Mr. Williams was incompetent to act as comptroller.

The first thing that he spoke of was the fact that counsel in that case sought for the comptroller and the Secretary two delays in the argument. It is perfectly true; we did.

There were five counsel representing the defendants, Mr. Louis D. Brandeis, of Boston, now a justice of the Supreme Court of the United States; Mr. Charles Warren, also of Boston, then Assistant Attorney General of the United States; Mr. Samuel Untermyer, of New York; Mr. John E. Laskey, the United States attorney in Washington; and myself. Two of those gentlemen were in different cities. It was a little difficult for us to get together. They were pretty busy men. Conference was desired. The rule to show cause was returnable in perhaps a week or two weeks, and to be frank with you, we were not ready at that time. There was too much to do. Mr. Justice Brandeis asked and obtained a short postponement. My recollection is that Mr. Untermyer had just come into the case, or came in a short time later, and we were not ready when the time was fixed and another postponement was granted at our request.

As I understood Mr. Hogan, he mentioned those things as showing the disqualification of the comptroller for his office.

In the next place he mentioned the fact that we filed the return to the rule to show cause and a motion to dismiss the bill and asked argument of those two things at the same time, and that, he says, is cumulative evidence that Mr. Williams is unfit to be comptroller.

That brings me to the question you have asked, Mr. Chairman.

This was a bill in equity. It asked for an injunction pendente lite and for a temporary restraining order pending the hearing.

When the bill was presented to Chief Justice McCoy he granted a temporary restraining order, ex parte—that is, without notice to us—because the bill said that the Treasurer—

is liable to cover this \$5,000 of ours into the Treasury, and it will take an act of Congress to get it out.

So there was issued, when this bill was filed, first, a summons which required them to appear within a certain time and to answer. There was issued, also, a temporary restraining order upon them which required them to hold that money and not take any further action, and also required them to show cause on a date specified why that restraining order should not be continued throughout the trial of the case.

We came in and filed our return to the bill. First, we prepared our return to the rule to show cause why this injunction should not be continued. That return consisted of an affidavit made by each one of the defendants explaining the entire facts, and those three affidavits were supported by other affidavits of other people who knew about the facts.

In the next place, the time for pleading to that bill had arrived, or almost arrived, so we filed what was equivalent to a demurrer, a motion to dismiss the bill on the ground that it did not disclose a case in equity, and those two things we asked to be argued together, and they were argued together.

I can not understand for the life of me what bearing that has upon the competency or incompetency of one of the defendants to hold public office. There was nothing unusual about it. I have defended scores of these cases while holding public office, and it was our invariable practice in an equity case where there was a rule to show cause to file a return in which we answered all of the facts, and then if we thought the bill did not state a cause in equity it was our practice to file a demurrer, and those two things were heard at the same time. There was no earthly use in taking two bites at the arguments.

Again, even if we did not put in the demurrer or motion to dismiss, it was always open to us to argue to the court on the return to the rule to show cause why it did not state a cause of action, and it would be the duty of the court, of his own motion to say, "I can not grant you a temporary injunction when you do not state any cause of action."

It has been suggested also that Mr. Williams is unfit to hold office because counsel in this case objected to the introduction of affidavits and all that correspondence at the time the argument began. It is perfectly true that we did make that objection—not a very serious one, but it was in the regular course of practice. Here was a lengthy bill containing perhaps 100 printed pages, containing large excerpts from the correspondence. Counsel for the bank had really conducted that correspondence. They were thoroughly familiar with it. They had put in the bill what they thought was material. We had filed a statement of the facts and excerpts that we considered worth while from those letters and other documents, and it had been served on the other side at least several days in advance of the argument. So we came to court that morning and some additional affidavits were handed to us and we suggested that the correspondence should also be placed before the court and considered; we said, "It is a surprise to us, and it is entirely unnecessary. There is nothing here for the court to consider."

Senator WALSH. Do you think that the witness needs to argue the conduct of counsel in the case?

The CHAIRMAN. I think he has the right to.

Senator WALSH. Yes. I am not objecting to his answering Mr. Hogan, but I thought we would not pay much attention to Mr. Hogan's contention that the counsel for Mr. Williams objected.

The CHAIRMAN. No. Lawyers have a sort of poetic license to indulge in objections.

Senator WALSH. I am trying to save time, because I thought Mr. Hogan's argument would not have much weight with regard to that point.

Mr. ADKINS. The questions involved at that hearing were, first, whether the plaintiffs had stated a cause of action. That question was involved. The bill charged a conspiracy between the Secretary of the Treasury and the Comptroller of the Currency. Mr. Justice McCoy went over the bill and he said:

They have not stated a cause of action as to the Secretary of the Treasury. There is nothing here to show a conspiracy. If there is any malice or ill will here it is on the part of the officers of the bank, and not on the part of the defendants.

So he sustained our demurrer or motion to dismiss as to the Secretary of the Treasury.

As to the comptroller, the real point came back to the construction of this statute. If the comptroller had called for a report within the statute, if he had directed that it be signed by the proper officers, the motion to dismiss as to him would have been sustained; but because of that error the court said, "I have jurisdiction here."; and he proceeded to take jurisdiction.

The CHAIRMAN. So far, then, Mr. Hogan's statement is correct.

Mr. ADKINS. So far, and so far only.

The next question was, Is this temporary restraining order which has been issued to be continued, or is it to be dismissed? That temporary restraining order ran to practically every prayer of the bill. The prayers of the bill were principally with reference, of course, to the collection of the fine of \$5,000, or the penalty of \$5,000. The bank said, "Under the statute the comptroller has no right to ask for a report of that kind as to indirect and direct loans." They said, "We have not any such loans now. They have all been paid. Therefore it is a matter of past history. It does not relate to the condition of the bank at the present time." They went on to say that if the statute is to be construed that broadly it is unconstitutional, because it calls upon the officers of this bank to furnish evidence which may incriminate them. There are two or three pages in the bill devoted to the fact that the statute, is susceptible to that construction, is unconstitutional, because it calls upon the officers to incriminate themselves.

So that the question before the court was whether he should continue this injunction or whether he should deny it, in whole or in part. The real question that was involved was as to the power of the comptroller to make these calls, whether the facts that he asked for tended to show the condition of the bank. Therefore the court took that question up. He said that he considered the powers of the comptroller and the bank examiners, and there have been many decisions of the Supreme Court on the subject, and he reached the conclusion that the object of the statute was to enable the comptroller to find out the precise condition of the bank, not only with reference to its cash on hand and its liabilities, but with reference to past transactions, with reference to the character of the management and personnel of the bank. Therefore he said that as to the substance, each one of these reports was properly called for. It was within the power of the comptroller, exercising his discretion, to say what he needed.

Senator WALSH. Was it alleged in the bill that this fine had been imposed through malice or ill will?

Mr. ADKINS. Yes.

Senator WALSH. But did the court find that the fine was properly imposed, but technically could not be paid over because there was a call for signatures that the law did not require?

Mr. ADKINS. That is an accurate statement of it, Senator.

Senator WALSH. I want to repeat that. Do you say that the decision found that the comptroller had legal authority and right to impose that fine of \$5,000?

Mr. ADKINS. If the call had been made properly?

Senator WALSH. Yes.

Mr. ADKINS. Yes.

arbitrary about it, Senator. It is something that prosecutors do every day.

Senator GRONNA. If the statute provides for an unreasonable penalty, what has the comptroller to do with it?

Mr. ADKINS. The statute provides that it shall be paid after he has assessed it. It can not be collected until he takes formal action.

Senator GRONNA. You take the position, then, that the comptroller can ignore it if he wants to?

Mr. ADKINS. Yes. Prosecutors do it every day all over the country.

The CHAIRMAN. Take his conclusion at the bottom of page 56:

The justice decided that he did have jurisdiction.

That is correct, is it not?

Mr. ADKINS. Yes.

The CHAIRMAN (continuing reading):

That we were rightly in court, on point No. 2—

Mr. ADKINS. Just a moment—"that we were rightly in court" as to the comptroller but not as to the Secretary.

The CHAIRMAN. Very well.

On point No. 2, as to whether or not he was within his legal right in imposing a \$5,000 fine, the court decided that he was not.

Mr. ADKINS. The court decided that he was within his legal rights in making the call for that report.

The CHAIRMAN. That is a correct statement, without explanation, is it not?

Mr. ADKINS. That is a correct statement.

The CHAIRMAN (continuing reading):

that the temporary restraining order would be continued to hold that \$5,000, and so stated the fact that it made it inevitable that in any subsequent trial of a case a mandatory order requiring the return of the \$5,000 would be issued.

Mr. ADKINS. That is true.

The CHAIRMAN (continuing reading):

Third, on the only other question before the court, as to whether the \$160,000 had been lawfully imposed, and if need required it a temporary injunction would have to go protecting the bank from the taking of the money.

Mr. ADKINS. The court did not decide that question as to the \$160,000. The court held that the comptroller had a perfect right to say that he was not going to assess any further penalty.

The CHAIRMAN. The court did not impose a fine of \$160,000, as a matter of fact?

Mr. ADKINS. No, sir; neither did the comptroller impose a fine of \$160,000. The \$160,000 is all wrong as to figures. It is entirely too high. But the court said as to that \$160,000 that the statement of the comptroller that he did not propose to impose any other penalties than this \$5,000 disposed of the case.

The CHAIRMAN. I just wanted to get your statement with regard to this conclusion of Mr. Hogan.

Senator WALSH. There seems, Mr. Chairman, to be quite a difference between these two men on one thing here. I did not hear this testimony, but as I read page 56 I get the impression that fines were imposed of \$160,000:

Other fines, which, according to our figures, aggregated \$160,000.

The CHAIRMAN. The correspondence with the comptroller indicates that.

Senator WALSH. That they were imposed?

The CHAIRMAN. Yes. In support of that statement Mr. Hogan introduced correspondence from the comptroller with regard to that, and you can draw your own conclusion from the correspondence as to whether Mr. Hogan was right or not.

Senator WALSH. I see. But this counsel seems to claim that no such fine ever was imposed. Am I right?

Mr. ADKINS. You are entirely right, Senator. Senator Walsh has correctly caught Mr. Hogan's contention. Mr. Hogan argued at considerable length, as the chairman suggested, that this \$160,000 was assessed. I say he is entirely mistaken about that.

The CHAIRMAN. He based his conclusion upon correspondence with Mr. Williams.

Senator WALSH. Did he make the allegation in his bill?

Mr. ADKINS. He did not, Senator Walsh. The attorneys for the bank in their bill made the claim not that \$160,000 had been assessed or imposed, but that the comptroller was claiming authority to impose a fine to that extent.

The CHAIRMAN. Mr. Hogan put in the correspondence upon which he drew his conclusions, and I suppose the committee can draw contrary conclusions if they are not satisfied with Mr. Hogan's.

Mr. ADKINS. Mr. Hogan referred to some correspondence with the comptroller in which he stated that this penalty of \$5,000, as well as other assessed—I think he used that word “assessed”——

Senator WALSH. “Waiving none of my rights to impose other fines.”

Mr. ADKINS. He used the expression “in addition.” That is the substance of it. But in the bill of complaint there is no suggestion at all that any other penalty has been assessed. The statement is made that the comptroller claims the right to impose other penalties.

The comptroller reminds me that at one time he used the expression “assessed.” In his other correspondence he spoke of the penalty which had been incurred.

The CHAIRMAN. But he did use that once, and it was that word that Mr. Hogan quoted when he said he drew his conclusion that an assessed penalty was an imposed penalty.

Mr. ADKINS. Well, the correspondence does not justify him in that. It is perfectly apparent that that word “assessed” was used in that letter with the meaning which Senator Walsh has given to it—“I am simply reminding you of the fact that this is assessed on you and there are others which may be assessed”—or “This is in addition to the other penalties which you have incurred.” But as a matter of fact no other penalty was assessed and it could not be collected until it was assessed, and when the hearing came on the comptroller announced that he had no intention of assessing any other penalty, and the court said that was binding upon him.

The CHAIRMAN. The comptroller's letter will show just what he said.

Mr. ADKINS. Certainly.

Senator WALSH. Will you get for the committee that part of the justice's opinion which modifies or changes this language:

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The CHAIRMAN. The comptroller's letter will show just what he said.

Mr. ADKINS. Certainly.

Senator WALSH. Will you get for the committee that part of the justice's opinion which modifies or changes this language:

As to whether or not he was within his legal right in imposing a fine of \$5,000, the court decided that he was not.

I understand you claim that that needs explanation. Am I right?

Mr. ADKINS. Yes.

Senator WALSH. You say that the justice said he legally could have called for those reports and he legally could have imposed this fine if he proceeded in a technical, legal manner in doing it?

Mr. ADKINS. That is entirely correct.

Senator WALSH. One reading of this decision is that the whole thing was illegal. Do I understand that you claim that is not the fact?

Mr. ADKINS. Entirely correct.

Senator WALSH. Mr. Chairman, excuse me, but I think there is a possibility of a serious injustice by wrongly construing this matter. To me it makes a great deal of difference whether this business was illegal or whether it was illegal on a technicality.

Mr. ADKINS. Senator Walsh, you have entirely stated the case. The only ground upon which anything was decided in favor of the bank in this case was this technicality, and I have always thought that the court might with equal propriety have taken the other view. The plaintiff did not go into court on that ground. They would not have dared to go into court on a technical point of that kind and state, "We do not have to make this report, because four officers are directed to swear to it instead of one." They called the comptroller's attention to that. They did not state it in their bill, and it was only developed in the argument.

Senator WALSH. I may read this into the record at this point. It is on page 473 of volume 44, number 30, of The Washington Law Reporter containing the printed opinion. After the court had discussed at great length the powers of the comptroller—

The CHAIRMAN. Had not the whole thing better go in if it has not already been put into the record?

Mr. ADKINS. I think it might go in.

Senator WALSH. It is very, very long—72 pages.

The CHAIRMAN. Oh, well, I guess that is too long.

Mr. ADKINS (reading):

The actions of the comptroller on the basis of which specific charges were made to the effect that he was acting in excess of his powers, examined in the light of the views above expressed, must be held as lawful.

The information called for by the comptroller in regard to the list of loans in excess of \$5,000 secured by collaterals should have been furnished. The contention is made that he made a demand that the information be given "at once," but that fact can not be clearly ascertained from reading the paragraph, and it rather appears that when the comptroller said that he wanted the information at once it was merely in answer to the suggestion of the officers of the bank that they would take the matter up with the board of directors.

The demand to be informed whether or not the plaintiff was maintaining a private telegraph wire connected with stock brokerage houses in New York was an eminently proper inquiry, but so was that set forth in the fifteenth paragraph of the bill, as it related to expenditures being made at the time by the bank.

The CHAIRMAN. Mr. Hogan does not dispute that point at all.

Mr. ADKINS. Mr. Hogan says all that is obiter dicta.

The CHAIRMAN. He does not dispute the fact that the judge said it.

Mr. ADKINS. I might put in the record an abstract which I have made of the opinion in this case. This abstract is somewhat different from that prepared by the Department of Justice—

The CHAIRMAN. I do not think it is necessary, unless you want to put it in. It does not seem to me that it is necessary.

Mr. ADKINS. It will enable a person in a very brief space to get very comprehensive view of the opinion.

The CHAIRMAN. Whose abstract is this?

Mr. ADKINS. It is one that I prepared myself.

Senator WALSH. If it is needed, we can call for it.

It looks to me as though this whole question were getting down, as far as this committee were concerned, to whether or not these reports were asked for through malice and ill will. I do not think there is much difference about the legal controversy here, but I think the issue which we have to face and which Mr. Williams alone can explain here, is whether he, in the conduct of his office, was justified in asking for those special reports. Did he do it in the proper spirit, or was he actuated by malice and ill will, and was he hounding these people and was he so prejudiced that he was imposing upon them requests and obligations that were not proper for a public official?

Mr. ADKINS. Senator Walsh, you have really reached the next question that I wish to take up, because that question was involved in the equity cause and was decided in the equity cause. If the committee desires it I can give you a concise view of the real facts which were before the court in that case and which were discovered by Comptroller Williams as results of these special reports.

The CHAIRMAN. How much more time do you think you will need, Mr. Adkins?

Mr. ADKINS. I may be able to cover it by 1 o'clock.

Senator GRONNA. Of course, if we are going into the question suggested by Senator Walsh, I can see where it will be necessary to hear the other side again.

Senator WALSH. I thought we did hear the other side. I understand Mr. Hogan's argument to be that this man is unfit for public office, he has hounded this bank, that he has made request after request upon them, that he was not evenly balanced on the question of dealing with the Riggs Bank, or some other banks. Then he cites this law case and cites other things and brings letters here, all going to prove that the law case seemed to be cleared up. It seems to me the issue that we have got to decide is that fundamental fact of whether this man's mental attitude was hostile, whether he was actuated by malice and prejudice, and even though he had a technical right to get those reports he asked for them in the spirit of hounding or persecuting this bank. That seems to me the absolute issue.

Senator GRONNA. The question of asking for the reports is one thing, and the question of making an arbitrary assessment is another, Senator.

Senator WALSH. But has not that matter been legally decided?

Senator GRONNA. I do not think it has been decided as far as I can read.

Mr. ADKINS. What is that, Senator?

Senator GRONNA. As far as I can read from the record, that point which the Senator from Massachusetts brings up has not been decided.

Senator WALSH. Do you say this record does not show that the comptroller had a legal right to impose a fine of \$5,000—to ask for those reports, and not having received them, to impose a fine.

Senator GRONNA. There is more than \$5,000, in fact, Senator. In the first place there is \$5,000, and in the second place \$160,000—\$160,000 is in issue just as much as the \$5,000.

Senator WALSH. I repeat, Senator, whether that is so or not, no matter what that legal proceeding was, the fundamental question is, what was the state of mind of this man when he asked for those report and when he proceeded to bring these people into court and imposed a fine? That is the thing I want to know, and which I am very anxious to know, because if I am convinced that this man or any other man in his public capacity is acting through prejudice and malice I shall have pretty decided views about his being able to qualify for public service.

Senator GRONNA. I think that is very true. I think the committee ought to know that. I agree with the Senator as to the last part of his statement.

Mr. ADKINS. I am afraid that I have not made myself clear to Senator Gronna about these other penalties and reports, etc.

The bank contended, Senator, that every call made by the comptroller in this case was beyond his power; that he did not have the right, in substance, to do it. That was taken up and argued at great length by both sides. The court went down the list in this paragraph I started to read you a moment ago, naming them one by one, and said that every call made by the comptroller was eminently proper and within his power, and related to the condition of the bank. My recollection is that in all of the calls it was requested and directed that the reports be sworn to by more than one of the officers of the bank.

Senator KEYES. How do you account for that? What is the explanation of it? It is a printed form, is it not?

Mr. ADKINS. No, sir; it is not a printed form, Senator. The printed form relates only to those general reports which shall be filed not less than five times a year.

Senator KEYES. This was a request in a letter?

Mr. ADKINS. Yes, sir; they were all letters. So that he overlooked the fact that the statute did not require them to be sworn to by more than one person, and the defendants apparently overlooked it because they swore to all the reports that they furnished in the way that he directed; and, as I say, the defendants apparently overlooked the fact that the statute required only one oath, because in the prior reports they swore to them in the way in which he directed.

So that the court decided that every call which he made was entirely proper, eminently proper, and that any reasonable man would have made them.

As to the penalties; they were all in the same situation. He said that the comptroller had exceeded his rights or his power, had gone beyond the statute in directing that it be sworn to by more than one person, so that this \$5,000 at issue could not be collected. The rest of it was not at issue. There was no attempt made to collect or assess it. In the first place, the court did not go into the question as to whether that \$160,000 might be collected. He said, "You have the right to do it, but the comptroller has said that he is not going into that, and that answers that question."

Have I cleared up the matter?

Senator GRONNA. I think I understand your view of it, Mr. Adkins.

Mr. ADKINS. Now, proceeding, Mr. Chairman, there were several suggestions made in the bill of acts done by the Secretary or by somebody else which were the only things which the Secretary could see as causing the plaintiff to believe that he or the comptroller had any malice toward them.

I just want briefly to run over those acts. Some of them have been discussed at great length. You remember the incident about Lotta M. Taylor. Lotta M. Taylor was employed by the National City Bank. She had a desk in the comptroller's office, and whenever these general reports came in she would go over them and tabulate the statistics and send them to her employer. Shortly after Mr. McAdoo came into office he discovered that, and he said, "That is not right. If one bank can do this, every bank in the United States ought to be permitted to do it. It smacks of 'special privilege.'"

So he directed that she should not be permitted to do that any more and should not have a desk in the comptroller's office, and he published a little statement, I think about April 23, 1913, in which he stated the facts. He said very frankly, "There is not anything to indicate that Miss Taylor is getting any advance information or anything wrong," but, he said, "It is bad policy and it should not be done, and if we should permit it to be done in the case of one bank there is always a possibility that other banks will believe that such person is getting advance or improper information."

That is all there was to it.

The CHAIRMAN. He did not think there had been any control of the pipe line between Wall Street and the bank?

Mr. ADKINS. No; that was probably controlled by higher officials, if there was any control at all. I will come to that in a moment.

There has been apparently a great deal of discussion about Lotta M. Taylor, and just in connection with these "half truths" that Mr. Hogan spoke so much about, so far as these pleadings are concerned there are no half truths. Those pleadings were prepared by counsel, and we are responsible for them, and I think Mr. Hogan will acquit us of any intentional or unintentional half truths. There may be some slight mistakes. Even Mr. Hogan, with his marvelous memory, when he undertook to give the name of Lotta M. Taylor, could not recall it at first and spoke of her as Rebecca Taylor.

In that connection Mr. Williams says in his affidavit that some clerk was expelled from the Treasury. Of course, the information which was brought to his attention justified that. He based that upon a report made to him by Examiner Trimble just before in which Examiner Trimble spoke of this incident and said Miss Taylor had had a desk in the Treasury but she was no longer employed in the Treasury Building.

Now it transpires that in addition to doing this work for the National City Bank, Miss Taylor was one of 25 or 30 other young ladies who went down in the Redemption Bureau and watched the destruction of redeemed currency. So she really was not expelled from the Treasury Building. She is still in the building. That is heralded to you with great vigor as an untruth on the part of the comptroller. As a matter of fact, she was expelled from the building for that purpose. It is hardly to be expected that the comptroller or anybody else would know the names of all of the young ladies down in the basement of the Treasury Building. If there was any

mistake in the use of that word "expelled" it was our mistake and not the comptroller's.

You said something about this pipe line, Mr. Chairman, and that is discussed at some length in the Secretary's affidavit, and in rather an interesting way, I think.

One suggestion made here is that the Riggs National Bank did not have its share of Government deposits. As to Government deposits, the Riggs National Bank and the National City Bank of New York were quite closely allied. In 1903 and for some years before and after, the National City Bank of New York had deposits of Government funds ranging all the way from \$14,000,000 to \$18,000,000. The average Government deposit of public funds was about \$120,000,000. So you can see that this bank had 10 or 15 per cent of all the Government's funds on deposit, without interest.

In about April of 1903 Mr. Ailes, who had then been Assistant Secretary of the Treasury, resigned and took office with the Riggs National Bank as vice president and also as some official of the National City Bank, living at Washington. A few days before he resigned \$2,900,000 of Government funds were deposited with the Riggs National Bank, and that national bank continued to have, I think, for several years deposits ranging around that sum. I think their deposits for a period of 10 or 15 years averaged over \$1,000,000 a day.

I do not know whether Mr. McAdoo's affidavit has been put in evidence here, but there is a table filed with his return which shows in detail those figures.

For instance, in March, 1903, the deposit was \$100,000. On April 11 it jumped to \$3,000,000, and that was just about the time that Mr. Ailes resigned and took office—or, perhaps, he took office a little later with the Riggs National Bank. That deposit runs around \$3,000,000; \$2,000,000 down to the end of 1907; then \$1,600,000, and from that time on it varies more or less and in fact, in 1911, it goes down to \$1,000. In March, 1913, when Mr. McAdoo came into office, these deposits were \$100,000. Shortly after he came into office the deposits jumped up to \$1,300,000.

One of the first things that Mr. McAdoo did was to require the payment of interest by banks holding Government deposits. The National City Bank, which had this enormous percentage of the Government's funds for so long and by that time had gotten down to about \$400,000, I think, concluded not to act as a Government depositary any longer, and did not pay interest.

The CHAIRMAN. You do not know just when the Treasurer issued his order requiring the payment of interest, do you?

Mr. ADKINS. My recollection is it was June 1, 1913. It is stated here in the pleadings. [After examining pleadings.] That is right. The National City Bank was discontinued at its own request May 31, 1913. His order became effective on June 1, 1913.

Here is this table which shows the average in 1899 of \$14,000,000; in 1900, \$15,900,000; 1901, \$14,700,000—

The CHAIRMAN. That is the City Bank?

Mr. ADKINS. Yes, sir. It was stated here, I think, that the Riggs National Bank, which had had its average of \$1,200,000 for this entire period and at times as much as \$3,000,000, had paid dividends of 26 per cent on a capital stock of \$1,000,000. With a deposit of

Government funds of \$3,000,000, it might be a very easy thing to make \$260,000. A capable banker might make that much upon \$3,000,000.

The CHAIRMAN. You want to be correct about that, of course. You said the average deposit was \$1,200,000?

Mr. ADKINS. Yes.

Senator WALSH. What were the total deposits?

Mr. ADKINS. About \$8,000,000 at the time this litigation began. I am simply suggesting that for a long time before Mr. Williams had anything to do with them that they had a pretty good share of Government deposits.

Senator WALSH. And the dividend paid by the bank was 26 per cent?

Mr. ADKINS. That was Mr. Hogan's statement here—26 per cent.

In that connection there was discussion as to the deposits for the tax fund in the District. You gentlemen know that our taxes fall due here in May of each year, and it does take a very substantial amount of cash out of the local banks.

In 1905 Mr. Glover suggested to the Treasury Department that perhaps half of those tax funds should be deposited back with the national banks in proportion to their total deposits; and that was done until the year 1914, when he said that his bank received none of the deposits, and when he inquired he was informed in that letter written by the Secretary, which you will remember, that the Secretary did not think it would be proper to put those funds with them and that he had concluded not to make any further Government deposits with them.

It is true that Mr. Glover did start this. It was a very good thing to do. It is also true that during the time it lasted his bank got considerably more than its proportion of its deposits. I am referring to Mr. McAdoo's affidavit. The first deposit was made in May of 1905. The Riggs National Bank got about two-thirds of the deposits of the Government funds—\$1,600,000. The rest of the deposits were divided among three other national banks, one getting \$660,000; one getting \$405,000; and one getting \$315,000, or a total of considerably over \$1,300,000. There were still a half a dozen other national banks in Washington at that time, but they did not get any.

At that time the Riggs National Bank had about one-third of the deposits of all the national banks in the District; so it got twice its proportionate share. It always had more than its share. In the next year it got \$1,370,000, and the balance of the funds were deposited in a large number of the other banks.

The CHAIRMAN. You mean to say that the bank always had over \$1,000,000?

Mr. ADKINS. Always had a larger proportion than would be represented by its share of the deposits.

The CHAIRMAN. During the years that this controversy was on?

Mr. ADKINS. Down to 1914. It is perfectly true that in 1914 it did not get anything.

The CHAIRMAN. That is all Mr. Hogan claimed.

Mr. ADKINS. No; Mr. Hogan claimed that they always got only their proportionate share. The fact is that when they started out

Here was \$50,000 in the largest National Bank in the city of Washington, and the officers say, "We can not tell you, Mr. Comptroller, whose money that is."

Senator GRONNA. Was it not deposited to the credit of Flather and Flather?

Mr. ADKINS. No, sir. There was an account upon the books of the bank running "Flather and Flather." It was an account of the bank, and was so credited, of \$50,000.

Senator GRONNA. You mean it showed a profit——

Mr. ADKINS. It showed a credit balance there, including stocks and securities which they had, and their cash.

Senator WALSH. Which had come from loans?

Mr. ADKINS. Which had come from commissions made upon real estate loans, and commissions upon the stock brokerage business which had been conducted by the bank throughout its history.

Senator WALSH. In other words, \$50,000 was accumulated in an account of the bank which had been gathered together from commissions charged by the bank for real estate and stock brokerage transactions?

Mr. ADKINS. Yes.

Senator HENDERSON. Do I understand that the bank was in that business and charged those percentages, or was it a firm of individuals that has been referred to here and they turned it over to the bank?

Mr. ADKINS. That was the question, Senator.

Senator WALSH. So that that was brought about by transactions of a character which has in recent years been legislated against, of collecting bonuses?

Mr. ADKINS. No, Senator. It was brought about by transactions which, at the time it was organized, were declared to be illegal or ultra vires as to a national bank. They were transactions which a national bank, as a national bank, could not legally do.

Let me give you the history of that account. The accounts were carried on in all sorts of ways for a period of 18 years. The money always got back to the bank. These officers said, "If you ask us, we say we have a legal right to the money, but we say we do not propose to take it. The bank is going to get it"; and the bank always did get it. They were in a quandary there. If they said that the money was the money of the bank, then it meant that the bank throughout its existence had been violating the law, and they admitted that it violated the law. If they said that it was their money, the money of Flather and Flather, and they proposed to keep it, then they had this situation; they made far more than \$50,000. Here was money that was made by the officers of the bank in banking hours by the use of bank funds, bank books and bank clerks without a dollar of expense to themselves. There was on hand at that time about \$50,000.

If they said, "This is ours and we are going to keep it ourselves," that was not a very nice position to take.

Senator GRONNA. Do you mean to say that it used the bank's funds in that way?

Mr. ADKINS. They would use the bank's credit in buying stocks that they bought.

Senator GRONNA. But you just stated that they were using the bank's funds.

Mr. ADKINS. Yes, sir; they were using the bank's funds; and if they did not have enough money to the credit——

The CHAIRMAN. Are you quoting now from the affidavit?

Mr. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

Senator GRONNA. That is a very serious proposition, if they were using the bank's funds.

Mr. ADKINS. They did borrow the bank's funds whenever they needed the money.

Senator GRONNA. That is a wholly different proposition, if you understand banking.

Mr. ADKINS. I think I have some slight knowledge of it, although I am not a practical banker, Senator.

Let me tell you how they borrowed the bank's funds. When they wanted to make a loan, of course they could not get all these transactions——

Senator GRONNA. Let me ask you this question: As a matter of law, are national banks permitted to do a real estate business?

Mr. ADKINS. No.

Senator GRONNA. They are not?

Mr. ADKINS. No.

Senator GRONNA. Would there be any other way that the officers of the bank could transact a real estate business than to borrow that money themselves and transact the business legally?

Mr. ADKINS. They can transact it with their own capital if they want to.

Senator GRONNA. Of course, if they had their own capital; but if they did not have the capital, the only way would be to borrow the money from somebody or from some bank.

The CHAIRMAN. You do not claim as a matter of fact that the bank invested its own funds in this stock brokerage business?

Mr. ADKINS. I do not claim that they took funds out of the bank without putting a new note there, but I do claim that they used the credit of the bank when they bought stocks.

Senator GRONNA. I think you made the statement inadvertently, but if the statement which you made a moment ago is true, of course the bank officials were not only negligent but they were criminally violating the law, every banking law that I know of was violated if they were using the bank's funds for the purpose of making profit for themselves. I want to have your statement read for your information, because I am a practical banker in a small way——

Mr. ADKINS. I remember my statement. I said they were using bank's funds.

Senator WALSH. By "they" you mean the officials, the officers of the bank?

Mr. ADKINS. Yes, sir.

Senator WALSH. The officers of the bank were borrowing money for themselves or for the bank. In what name were the stocks bought?

Mr. ADKINS. In the name of the bank.

Senator WALSH. So the officers of the bank were borrowing money from the bank and buying stocks in the name of the bank. Is that right?

Mr. ADKINS. They were not even going that far, Senator. What they did was to buy their stocks from their brokers, and the brokers carried that account in the name of the Riggs National Bank. It did not require any money or collateral, because the Riggs National Bank had plenty of credit, and when the broker would send up the stock he would get credit in his pass book with the Riggs National Bank for the cost of the stock.

Senator GRONNA. You say this profit would go to the officers of the bank and not to the bank?

Mr. ADKINS. No, sir; I did not say that. I said it always got to the bank.

Senator WALSH. The profits went into this account, as I understand it?

Mr. ADKINS. Yes, sir; they went into this account. I may be mistaken about saying they always got to the bank. They did not always get to the bank.

Senator WALSH. Why should not the profits have gone in as an asset instead of in the personal account?

Mr. ADKINS. Because that would be an indication that they were doing this thing which was illegal.

Senator GRONNA. Just going back to my proposition that it is illegal for national banks to transact any real estate business, and this was known generally by the comptroller of the currency—

Mr. ADKINS. It was known by all prior comptrollers; I have no doubt of that.

Senator WALSH. He says it was the beginning of the break.

Mr. ADKINS. You interrupted me there. It was the break. You asked me how they got this money. I say they got some of the money by dummy loans. One of those was explained by Mr. Hogan. You recall that?

Senator GRONNA. Yes.

Mr. ADKINS. It was an \$86,500 loan they were wanting to make, and they did not have the money. One of their tellers made the note. No one knew that was really Mr. Glover's loan. That was a concealed or dummy note, and it was an improper banking practice. It may have been entirely safe; but there is not one rule for the man who comes out safe in his bank and one for the man who fails. The rich and the poor, the successful and the unsuccessful bank are bound by the same rule.

Senator GRONNA. My only purpose is to get at the facts, to get the truth.

Mr. ADKINS. I would not for a moment mislead you, Senator, or give any half truths.

Senator GRONNA. I know that.

Mr. ADKINS. As a matter of law and equity in my judgment they were doing this business upon the funds of the bank. In other words, they continued to do what they might have done as a private banking firm but what was unlawful for a national bank to do. They did it until Comptroller Williams started his series of calls, and by the time he got through they had quit these unlawful things—

Senator GRONNA. But what troubles me—I am kind of slow to get at these things; I know that.

Mr. ADKINS. No, you are not slow, Senator.

Senator GRONNA. What troubles me is this: If the bank officials were doing business in the name of the bank, it mattered nothing whether they used actual money or not. If they used the credit of the bank, and if they made a profit by using the credit of the bank, whether cash or otherwise, it makes no difference. I say that would be an absolutely illegal act and a violation not only of law but of all the fundamental principles of good banking, if that profit actually went into the pockets of these officials as individuals, and if it did not go to the credit of the bank.

That is what I can not understand. You are stating here that they used the credit of the bank. We do not need to dissociate cash and credit at all. We all understand what that means. Did the officials of the Riggs National Bank use the money or the credit of the Riggs National Bank in these business transactions, and did they pocket this money?

Mr. ADKINS. The best way I can answer that is to give you the history of the entire account; but I will say that they did use the credit of the bank. When Mr. Trimble came along and found these two accounts he was told by the Flathers, "Yes, those profits go to us"; and one of them said, "I will show you my income-tax return if you want to see it as proof."

Afterwards they said, "No; these things are ours. We think we have got the right to them, but we do not take them, and we always turn them over to the Riggs National Bank." Mr. Hogan explained to you that they used this fund for purposes for which a national bank could not use it. Some reference was made to the fact that somebody referred to it as a slush fund. He said:

If we want to make a contribution to the inauguration of the President, a national bank can not do that, but these officers of the bank can make the contribution in the name of the bank. If we want to send a clerk to attend the bankers' convention, the bank can not pay his expenses, but the officers of the bank can pay the expenses of this clerk.

Senator GRONNA. That is what Mr. Hogan says? But what do you say about it?

Mr. ADKINS. I say they did that thing and I say as a matter of equity this fund from the beginning belonged to the Riggs National Bank, and that the reason the Flathers and the other officers of the bank would not state the ownership of it was because they were afraid that was so.

Senator GRONNA. Where did the money really get to?

Mr. ADKINS. The money got back to the bank. If they had a loss, they charged it off to this account.

Senator WALSH. Has anybody ever been able to see the checks drawn against this old account?

Mr. ADKINS. I do not recall about that, Senator.

Senator WALSH. I suppose the reason why the comptroller later asked for all the letters and reports and what papers and documents had been destroyed was because he was making a search for this account?

Mr. ADKINS. That had something to do with it.

Senator WALSH. If, as you say, this was the basis of the trouble with the bank, I think it important that you go ahead and give us a statement of this account as concise as possible.

Mr. Adkins. The Riggs National Bank is the continuation of a private banking firm. There was no reason in the world why that private banking firm could not lend all its capital and invest in real estate loans or buy stocks and bonds for itself and for customers, but the moment it became a national bank it could not do any of those things. It could not make real estate loans on commissions; it could not make loans on real estate and invest in stocks and bonds for itself or do a stock brokerage business. It did all of those things.

The CHAIRMAN. There is just one point I want to ask you about? I am trying to find Mr. Hogan's testimony in regard to this matter under discussion, but I do not happen to be able to put my eye on it now. As I remember, these brokerage accounts were the individual accounts and not bank accounts?

Mr. ADKINS. They were accounts upon the books of the bank in the name of these two individuals.

The CHAIRMAN. Yes, which was perfectly proper at that time; but as I say, it was the custom of all the banks, if I remember Mr. Hogan's testimony, to keep accounts with this broker's office here in Washington, but all the profits made went to the bank, as I remember his statement.

Mr. ADKINS. He says that all the profits went to the bank.

The CHAIRMAN. You do not dispute that?

Mr. ADKINS. Yes; he is not entirely correct as to that, though he described the history of the account accurately; he did not make any misstatement as to where the funds went. But you have not remembered it in sequence, Senator. So far as other banks are concerned—and I do not know anything about them—I do not think it has anything to do with this case. If this bank violated the law, I do not see that it helps it out to say that other banks in the community were doing the same thing.

But, Mr. Chairman, just let me run down here to refresh your recollection as we go along. This bank was organized in 1896. Until the 1st of January, 1897, only a few months, perhaps six months, it did this entire business in its own name. It conducted a real estate brokerage business and a stock brokerage business in its name. That is admitted.

The CHAIRMAN. Yes; I do not understand that that is disputed.

Mr. ADKINS. That was, of course, wrong. They did not have any right to do that; and that would answer one of the questions that you put, Senator Gronna.

In January, 1897, it organized the firm known as Glover, Hyde, Johnston et al. There were six stockholders in this bank. Five of them wanted to enter into this business of real estate brokerage and the other did not care to go in, so that they organized a firm consisting of the five and they had a capital of \$30,000, and they conducted a real estate brokerage business in the name of the firm. All of the profits made by that firm were divided among the stockholders of the firm.

The CHAIRMAN. On page 33 of Mr. Hogan's testimony I find this statement:

Under the national banking law a national bank had no right to lend money on real estate, and under the construction of that law by the office of the Comptroller of the Currency a national bank had no right to lend money on notes which were secured by real estate notes. If John Jones owned a note for \$5,000 that was collaterally

secured on a building worth \$50,000, and he wanted \$4,000 and he went to a national bank and gave his personal note for \$4,000 and gave the \$5,000 real estate note as security. the comptroller's office held that was within the prohibition of the law. The comptroller's office erroneously so held because subsequently, about the year 1906, the United States Supreme Court, whose conclusions on that subject are binding both on banks and the comptroller, held that the comptroller's office and the Treasury Department had been all wrong in that construction and that a national bank had a perfect right to lend money on personal notes, even though those personal notes were buttressed and secured by real estate notes.

Mr. ADKINS. Mr. Chairman, that is not the kind of question I have in mind. That particular transaction does not have anything to do with these Glover and Flather and Flather and Flather accounts.

The CHAIRMAN. You were speaking of real estate loans.

Mr. ADKINS. I mean the business of making loans on real estate. I do not mean the business of lending money by the bank on the security of real estate. I do not agree with Mr. Hogan in what he says there about the law, but that is not the question that I am talking about just now. He admits that a national bank has no right to make, as a real estate broker, loans for others on real estate. You know we have any number of men in this town whose business it is to loan money in that way. If you want to borrow money on real estate, you go to them and they have a client who will furnish you the money and they will charge you a commission. That is what the bank was doing.

Senator WALSH. In other words, to get around that law which prohibited a national bank from doing that, five officers formed on the side a corporation, and all the things that the banking laws prevented their doing as a bank, they did in that way?

Mr. ADKINS. Yes, sir.

The CHAIRMAN. When did that begin?

Mr. ADKINS. It began in January, 1897, and continued until 1902.

The CHAIRMAN. It was not a national bank?

Mr. ADKINS. Yes; it was organized in 1896, Senator.

The CHAIRMAN. What was it before that time?

Mr. ADKINS. It was a private banking firm that had a right to do pretty much as it pleased.

The CHAIRMAN. I understand Mr. Hogan said that this custom was discontinued after the bank had become a national bank.

Mr. ADKINS. That is their contention, but it never seemed to me that that was a defense, that if the members of a private banking firm wanted to become a national bank they wanted to do it for the purpose of——

The CHAIRMAN. I merely want to get the record straight; that is all.

Mr. ADKINS. They contend that this grew up as a private firm that had been in the habit of doing certain things and it was the only way to keep their business.

Senator WALSH. Did the private real estate brokerage corporation borrow money from the Riggs National Bank?

Mr. ADKINS. I am not clear about that, Senator, but I have not any doubt that it did, and I also have not any doubt that when it did they put up security.

Senator WALSH. In other words, do you know whether or not the Riggs National Bank financed and really were the promoters of this real-estate brokerage company?

estate brokers, making loans upon commissions upon real estate. The bank continued to do both of those businesses. It had no legal right to do so. It was in violation of its powers. It was a violation of the law. But for six months openly, and without any question, it continued these illegal businesses.

They continued in the name of the bank the stock brokerage business until 1906. For a full period of 10 years the stock-brokerage business was done in the name of the bank, by the bank, on the credit of the bank, and with the funds of the bank, and the bank openly got all of the money made from that brokerage, and that was in absolute violation of the law.

Senator FLETCHER. May I interrupt just there a moment?

Mr. ADKINS. Yes, Senator.

Senator FLETCHER. As I gathered from Mr. Hogan, his position about that stock brokerage business was that it was really not what we would properly designate as a stock brokerage business, but that it was a kind of an agency for affording customers of the bank contact with a local concern that dealt solely, I gathered from his testimony, in local stocks and bonds for investment purposes, and that all the banks of the city had the same connection that Riggs Bank had with that business.

Mr. ADKINS. I have no doubt, Senator, that the business started because the old firm of Riggs & Co. had been doing that character of business for its clients. But that did not change the law any. When Riggs & Co. became a national bank, they, of course, were subject to the national bank law, and what they did was in direct violation of that law. It was ultra vires their powers.

Senator FLETCHER. I catch that point all right, but I thought I might direct your attention to Mr. Hogan's statement about that with a view to having you state whether that was the real situation or not.

Mr. ADKINS. I do not know what other national banks were doing, Senator. I do not understand that they were doing this openly, as the Riggs Bank was. It is stated that the officers of other national banks conducted business of this character in their own names and for their own benefit. That may be so.

Senator FLETCHER. You do not know whether they were connected up by private wire, and that sort of thing, as this bank was?

Mr. ADKINS. No, I do not know.

Senator FLETCHER. Do you know whether this was a brokerage business simply confined to local stocks and bonds?

Mr. ADKINS. It was not, for this reason, Senator: It appears in our record that until January, 1910, all commissions upon the out-of-town business were paid directly to the bank. Oh, no, the stock brokerage business in Washington is quite slight, if you confine it to our local securities. You can pick up the paper any day and see perhaps 20 or 30 securities listed there. The real bulk of the business is done in New York and in securities that are foreign to us.

As I pointed out, the stock-brokerage business was carried on in the name of the bank altogether until 1906, for a period of 10 years. The real-estate brokerage business was carried on in the name of the bank for all of that period except an interval of five years, between January, 1897 and 1902, and during that period it was carried on by a firm of Glover, Hyde, Johnston, and others, composed of five of

the six stockholders of the bank. It was explained that the sixth stockholder did not care to carry on that business. They had a capital of \$30,000, and they conducted the business in their own name, and with their own capital, and I believe during that time this partnership made a profit of some \$46,000, which was divided among the partners.

In 1902 the capital of the bank was enlarged and the stock went into many hands. Theretofore it had been in the hands of six people, I think. So that the bank officers said, "It is no longer proper for us to carry on this business and make the profit. The bank ought to have the profit of the real estate brokerage business." And so the real estate brokerage business, as well as the stock-brokerage business, for the next four years was carried on in the name of the bank, and by the officers of the bank. The profits went into an account, I believe called the "Commission account." That, of course, was in direct violation of the law and beyond the powers of this bank.

In 1906 a new examiner came along, and he found this account, and they told him that while this was done in the name of the bank, it was really done by the officers privately, by Mr. Glover and Mr. William J. Flather, in whose names the seats upon the local exchange stood. As I understand it, the bank examiner said, "If that is so, let your books show what the fact is. If these men are carrying on the business, you had better carry it on your books that way." And thereupon they opened two accounts, Glover and Flather, which meant the president and vice president of the bank, and Flather and Flather, which meant the same vice president and the cashier of the bank.

Glover and Flather, then, got all of the commissions made on real-estate loans. Flather and Flather got the commissions on the local stock-exchange business until 1910. After 1910 they got it all. The stock-sale commissions outside of Washington up to 1910 went directly to the bank.

That was the situation in May, 1914, when Examiner Trimble found this account for the first time. I should say that Glover and Flather had been closed out and the balance transferred to Flather and Flather, so that Flather and Flather then had the entire \$50,000 which was left there and, as you will recall, at first Flather and Flather made the claim that that was theirs, and they got \$5,000 a year out of it, and then later the officers of the bank said, "While that may be theirs legally, they have never gotten a profit out of it, and do not claim to get a dollar of profit out of it; but we can not tell you whose account it is."

I say, as a lawyer, upon a careful examination of all of the facts of the case, that it is pretty clear that the funds legally and equitably belong to the bank and not to the officers of the bank, and I base that upon the way in which the business was being done. It was seen that the bank, during 18 years, had managed to do what the law forbade. The business of making loans on commissions on real estate and of selling stocks on commission, which no national bank could lawfully do, had been carried on without pause for 18 years, a large part of the time in the name of the bank. The rest of the time it had been carried on in the name of the president and vice president

and cashier of the bank, and every dollar of that money had ultimately found its way to the treasury of the bank.

Apparently the work was done by the officers of the bank, in banking hours; the details were carried on by the bank clerks, the accounts kept in the bank books, the bank stationery was used, and the bank funds were used. If Glover and Flather or Flather and Flather had credit and a man came along and wanted to borrow \$10,000, and \$10,000 was there, that \$10,000 would be used. If neither one of these accounts had sufficient money to take up a loan, then the money would be borrowed from the bank. If Mr. Glover wanted to borrow money, he did not give his own note to the bank, but he had one of the clerks give the note, and that transaction took place a number of times, how many times the comptroller is unable to tell you, because his call for the report that would have furnished that information was never answered. That was the one of January 22, 1915, which resulted in the imposition of the penalty. The comptroller was never able to get a list of all the indirect or dummy loans made to the officers of the bank.

Up to date this account has been discussed before you gentlemen as if it contained nothing else but the moneys which were made in this way. As a matter of fact, it was apparently used as a catch-all, and it contained a very substantial profit of \$56,000 made in 1908 by a transaction conducted by the National City Bank and the Riggs National Bank in connection with the Crocker National Bank of San Francisco.

The two banks together, the National City and the Riggs Bank, made a profit of \$112,000 or \$115,000, and that profit was divided equally between them. The Riggs Bank got \$56,000, and that profit was put in this Glover and Flather account.

Let me tell you a little more in detail about that. In the panic of 1907 the Crocker National Bank wanted some ready cash. It had, I think, \$500,000 of Government bonds, and the arrangement was made, through Mr. Ailes, vice president of the Riggs National Bank and an officer of the National City, that these two banks would buy those bonds and furnish \$500,000 in cash. That was done.

In the following year those bonds were sold at a very substantial profit—in fact, the profit was over \$100,000—and that profit, or half of it due to Riggs Bank, went into this Glover and Flather account. You see, that was not a real estate commission. It was a transaction conducted upon the credit of the National City Bank and the Riggs National Bank, and involved a very large sum of ready money.

It is perfectly true that when Mr. Ailes was questioned about that, he insisted that that was a personal transaction of his, and in the examination that took place, at which Senator Bailey, the counsel for the bank, was present, Senator Bailey insisted that he could justify Mr. Ailes in claiming that entire \$56,000 for himself; and yet he put it into this account. When he was asked where he thought it was going when it went into this account, he said, "Why, I was perfectly confident that it would ultimately get into the Riggs National Bank. I did not have any agreement to that effect." But, legally, he said, Messrs. Glover and Flather would have been entitled to keep that money if they had wanted to. But he had sufficient

confidence in them to believe that that money would ultimately get to the bank. And, of course, it did get to the bank.

However, the correspondence that was carried on in that case was carried on between the National City Bank and the Riggs National Bank. I want to call your attention to a letter of February 3, 1918, written by the National City Bank to the Riggs National Bank, which appears on page 84 of Mr. Williams' return in the equity case:

We have to-day credited your account with \$24,704.16, one-half the profit in the joint account in United States registered 4s of 1925 (Crocker National operations), resulting from sales made during the month of January.

And in a letter of February 4, 1918, signed by William J. Flather, vice president, to the assistant cashier of the National City Bank, it is said:

We beg to acknowledge receipt of your letter of the 3d instant—

the one to which I have just referred—

in which you advise having credited our account \$24,704.16, representing one-half of the profits on sales during the month of January of United States registered 4s of 1925, which were purchased by us for joint account through the Crocker National Bank of San Francisco. We note that as further sales are made from this joint account you will credit our account with one-half the profits shown or one-half the losses entailed. With thanks, we remain.

Very truly, yours,

WM. J. FLATHER, *Vice President.*

It is perfectly apparent from the correspondence that the transaction was one between the banks, and it was not one by Mr. Ailes or Mr. Flather or anybody else as an individual, and that the Riggs National Bank was entitled to one-half the profits, and was subject to one-half the losses if there might be any. Fortunately, there were no losses. But there was this very substantial profit of \$56,000, and that went into the Glover and Flather account, and finally found its way into the profits of the bank.

Senator GRONNA. There seems to be no disagreement between you and Mr. Hogan on that, if I read this testimony correctly.

Mr. ADKINS. Mr. Hogan's contention is that that account belonged entirely to Glover and Flather and Flather and Flather, and the money in it. He said legally it is theirs. I call your attention to this Crocker National Bank transaction, where \$56,000, which the National City Bank had credited to the account of the Riggs Bank, had gone into this account, and say that Mr. Hogan was wrong, as a matter of law, in contending that a single dollar of either the Glover and Flather account or the Flather and Flather account belonged to the individuals. I say that in equity and law it belonged to the bank, always did belong to the bank, that it arose out of business carried on by the officers of the bank in this way in order to get around the provisions of the national-bank law which forbade the doing of that business.

Senator GRONNA. They are doing this, of course, in order to get around the law prohibiting national banks from doing a real estate business. That is why they are doing it?

The CHAIRMAN. Were doing it, you mean, Senator. They are not doing it now.

Mr. ADKINS. No; they have ceased as a result of this investigation made by the comptroller.

The CHAIRMAN. Well——

Mr. ADKINS (interrupting). They have ceased after this investigation was made, if you please, Senator.

The CHAIRMAN. You called attention this morning to the examination of the bank made by Examiner Reeves. You are aware that subsequent examinations were made, Mr. Adkins, by other examiners?

Mr. ADKINS. Yes.

The CHAIRMAN. And that they gave the bank a clean bill of health right up to the time this controversy began?

Mr. ADKINS. I do not know whether they give it a clean bill of health or not, Senator.

The CHAIRMAN. I want to read you what Mr. Hogan says about that:

Senator HENDERSON. No objection had been made by any inspector or Federal official?

Mr. HOGAN. No, sir. In 1913 Mr. Reeves having resigned, a new bank examiner for the first time examined our bank—Mr. Samuel M. Hann. Mr. Hann was at that time unknown to our bank, but the character of bank examiner he was and the man himself might be inferred from the fact that he is now vice president of the Fidelity Trust Co. of Baltimore, a very large and well-standing trust company.

He made, in June, 1913, just one year prior to this controversy, an examination of the bank, a thorough examination. In his report he put in a special page in which he gave Mr. Glover's statement regarding the Flather and Flather and the Glover and Flather accounts in substance as I have given them to you here.

I have a photostat copy of the report which came from the comptroller's office in response to a subpoena, giving the report on the Riggs National Bank dated May 15, 1913, signed by the examiner.

He goes on to tell by whom he was assisted; and I am going to call your attention to this because this was in Comptroller Williams's possession and was part of the official records of his office and was during the time that he repeatedly stated that this bank had collateral that was poor, that its management was poor, that its books were not well kept, and what not.

Senator HENDERSON. Would it not be well to put that statement in the record, in view of your testimony here?

Mr. HOGAN. Yes, sir. I marked two very important pages here. There is a question here on page 4 of the schedule——

Senator HENDERSON. Of what date?

Mr. HOGAN. May 15, 1913.

Then follows the examiner's report.

Mr. ADKINS. Have you it there?

The CHAIRMAN. Then Mr. Hogan continues:

Not only that, but there was before the comptroller—not having this very paper, I do not know whether Comptroller Williams marked it, but this very paper bears marks that I venture to say there will be no denial of by Comptroller Williams as being his work, because after the same habit of underscoring papers and letters, when he gets this paper before him he marks it up in very fantastic ways.

Then, reading from the report:

Summarized matters to which special attention should be called, using Form 2199 if necessary. Include certificate relative to solvency, by-laws, management, and condition of books, as required by Circular 70.

That is answered as follows:

"Your examiner spent 10 days in the examination of this bank—he was assisted for 2 days by Examiner Dorsey, in addition to his own regular assistants.

"In addition to checking every collateral loan in the bank, all collateral pledged for safe-keeping (there are as many as those pledged to secure loans) were checked back.

"Twelve individual ledgers were checked, and a careful audit of every department made.

"In my judgment, this bank is absolutely solvent; the by-laws are satisfactory and are followed; the management is safe; the books show its real condition, and are so

kept that the examiner can readily make a thorough and complete examination of the bank."

To the inquiry, "What elements of danger are in the bank?" he answered, "None."

Mr. ADKINS. Senator, have you the page that he reported on the Glover & Flather and the Flather & Flather accounts. Is that in the record? I do not see it here in this reference that you make.

The CHAIRMAN. I have the report of the examiner made a year before this controversy.

Mr. ADKINS. I thought, as you read it, Mr. Hogan stated that there was a page devoted to the Glover & Flather and Flather & Flather accounts, and I wondered if you had that there.

The CHAIRMAN. I have not, but the examination was made of every account in that bank, every piece of paper.

Mr. ADKINS. Mr. Chairman, I think Mr. Hann is mistaken when he says the books show the real condition of the bank, and I think I have shown that to you.

The CHAIRMAN. The examiners' reports show that the bank was given a thorough examination, every account was approved, every detail of the management was approved, the condition was good, and that was in 1913, a year before this controversy arose, and it was testified to by Mr. Hogan that in all the history of that bank not a single paper or account had ever been destroyed.

Mr. ADKINS. The bank was undoubtedly in a solvent condition at that time. No doubt Mr. Hann made a thorough examination. But Mr. Hann did not discover the facts as they were subsequently found with reference to the Glover and Flather and Flather accounts.

The CHAIRMAN. That is your opinion.

Mr. ADKINS. The evidence is here, the sworn evidence to sustain it. Of course, I can only tell you what that evidence is.

The CHAIRMAN. Affidavits which you have read. But the question as to whether the affiants told the truth or not is the important question here. I am referring you to the examination made by the regularly constituted authority.

Mr. ADKINS. He did not go into this account, or spend any considerable amount of time on it.

Senator KEYES. How do you know he did not?

The CHAIRMAN. That may be your impression.

Senator FLETCHER. It seems to me we can not tell very much about that unless we have that whole report before us.

The CHAIRMAN. We will have the whole report.

Mr. ADKINS. I have no doubt you can get the whole report. But I say Mr. Hann was mistaken about this account. Of course, if you do not believe the sworn affidavits—I can only tell you what the evidence is, and what the facts are, and these statements about the history of these accounts which I have made are not disputed.

It is the fact that during the time that the comptroller's office was criticising national banks in letters, there was a period of five years preceding Mr. Williams's administration when that practice was discontinued, but it is a fact that after practically every examination the then comptroller wrote to the bank calling its attention to some violation of law, and there are 42 of those letters, as I remember them, printed in one of these little pamphlets.

The CHAIRMAN. As a matter of fact, these accounts were known by the examiners since 1906, and they were approved by the examiners, and no criticism was made up to 1914.

Mr. ADKINS. Then, Senator, if the thing was perfectly proper and legal, why should there be the slightest hesitation on the part of the officers of the bank in answering the question as to who owned those funds?

The CHAIRMAN. They said that was a legal question. I do not know.

Mr. ADKINS. How can that be a legal question? Just as a matter of fact, did you ever run across any situation like that? Did you ever find a big bank with \$50,000 lying around loose and unable to tell whether that belonged to the bank or the officers of the bank? The Flathers, when Examiner Trimble had spoken to them about it, said, "Those funds are ours and we have kept them, and we have made \$5,000 a year out of them." And then they turned around and said, "We have never made a dollar."

The CHAIRMAN. The officers of the bank declined to answer some of Mr. Williams's questions, and after the controversy began, of course the situation got more and more tense, and the suit resulted. As far as your testimony goes, I have not seen that you have disputed any important points Mr. Hogan made in regard to the conclusions of the judge.

Mr. ADKINS. I am afraid I have not made myself plain to you then. Mr. Chairman.

The CHAIRMAN. Any important point, to my mind, as I view this case. For instance, whether the comptroller's insistence was authorized or not under the circumstances is a question that the committee must decide.

Mr. ADKINS. That, of course, is for you.

The CHAIRMAN. And I do not wish in any way to limit your privileges or confine your statement, you understand; but I call your attention to these things because they seem to me important, and up to date, as I view it, you have not furnished any testimony that conflicts with them.

Mr. ADKINS. Understand, Mr. Chairman and gentlemen of the committee, that I am not here claiming any privileges. This is not a matter of moment to me. I have come before the committee at the request of the comptroller.

The CHAIRMAN. I mean the scope of your testimony. I have no desire to limit that.

Mr. ADKINS. Whenever you have the slightest desire to limit my testimony just say so, and I can quit at any time.

The CHAIRMAN. I am merely calling attention to these things as we go on, because I understood you appeared as a witness to contradict Mr. Hogan's statement.

Mr. ADKINS. Yes; I do.

The CHAIRMAN. And it seems to me these statements are important. But I understand your view of it now.

Mr. ADKINS. I think it is perfectly clear, and the fact is that Chief Justice McCoy decided every substantial question in this case in favor of the comptroller and of the Secretary of the Treasury. On a technical question he said that this report of the directors to be signed in a certain way was not authorized by the statute, and there-

fore he would restrain the collection of that penalty. As to the reason and the justification of the comptroller calling for these reports, the evidence in that case was that from the time of its incorporation up to the time the comptroller began to make his calls the Riggs National Bank had violated the law in many respects; that it had been criticized by every comptroller who preceded him, and by deputy comptrollers, and directed to correct these violations of the law, and sometimes they were corrected, but usually they had gone on. It would change its course of business from one to another, but it had always managed to carry on its illegal and ultra vires business of making real-estate loans on commissions, and selling stocks on commissions, and that it had always gotten the profit from it, and that after the comptroller began his investigation and made his calls for reports those things stopped.

It has been stated that after that investigation was begun the Riggs National Bank has trebled its deposits, and it is argued that the people of the country have rushed to the rescue of the bank because of the attack which had been made upon it. It is not a reasonable supposition that the increase of the business of the bank may be due to the fact that it has abandoned this illegal business, and that its officers have devoted their time to carrying on a legitimate banking business?

Senator GRONNA. Is it not true, though, that the business of all banks, or practically all banks, has increased?

Mr. ADKINS. I do not know, Senator.

Senator GRONNA. I think that is true, especially during the last few years. The real question that I am interested in is the question of motive, the question of why the Comptroller of the Currency took this method of procedure, calling for special reports when, as a matter of fact, the regular reports had been made. I do not suppose that the office of the Comptroller of the Currency at any time suspected that the affairs of the bank were in bad shape, that is, that the bank was insolvent. I do not suppose that there was any such fear as that at all, was there?

Mr. ADKINS. So far as I know, there was not. I never thought that the bank was insolvent. I deposited in the bank, and I would not have left money there if I had thought it was insolvent.

The CHAIRMAN. You made one statement this morning to the effect that the bank paid 26 per cent on a capital of a million dollars.

Mr. ADKINS. That was my understanding of Mr. Hogan's statement.

The CHAIRMAN. Do you know what the surplus was at that time?

Mr. ADKINS. I think their surplus has been over a million for some time. I do not know what it was when they paid that dividend.

The CHAIRMAN. My recollection is that the surplus was something like two million, so that the dividend of 26 per cent would only be a little over 8 per cent on the capital and surplus.

Mr. ADKINS. I am not criticising the dividend. I think that is a fine showing.

The CHAIRMAN. No, but you drew the inference that that was a very large dividend to pay, and that it might have resulted from the fact that they were benefited by large Government deposits.

Mr. ADKINS. Yes.

The CHAIRMAN. I merely call your attention to the fact that there were at that time 2,000,000 of surplus, and that the 26 per cent would be only about 8 per cent on the capital and surplus.

Mr. ADKINS. That \$3,000,000 deposit was carried only in 1903. In 1903 their capital was \$1,000,000 and their surplus was \$1,000,000, \$2,000,000 altogether at that time of their own funds, plus what their undivided profits were.

The CHAIRMAN. I do not remember now to what year you referred.

Mr. ADKINS. 1903 is the year when they got the \$3,000,000 deposit. Up to 1906 their surplus had grown to \$1,300,000. But I suggested that with a million or two million or three million dollars of Government funds steadily on deposit there, they might very easily pay very handsome dividends.

Coming back to the Glover & Flather account, and the Flather & Flather account, just let me point out how the money was obtained to make the loans. I think I have already suggested that if these accounts had any balance, the loans were made out of the balances in the accounts. If they were not, then the money was borrowed from the bank, and one of the clerks would give his note.

In the case of the stock sales, it was not necessary to do that. The bank officers would simply order the purchase or sale over the telephone from the broker—Lewis Johnson & Co., or whoever it might be—and the affidavits in that case show that the account would be carried by the broker in the name of the Riggs National Bank; that he would send his statement to the Riggs National Bank; that he required no deposit, no collateral security, but that he sent the stock, along with his bill, to the Riggs National Bank, and that the Riggs National Bank then gave him credit upon his account for the amount that was due. For instance, if he bought \$5,000 worth of steel stock, he sent the certificate up with the statement, but did not get \$5,000 in cash; he simply got \$5,000 credited to his account with the Riggs National Bank. Of course, all that was done upon credit.

Senator WALSH. Who got that to the credit of his account?

Mr. ADKINS. Lewis Johnson & Co., or whatever firm made the purchase. Lewis Johnson & Co. carried an account with the Riggs National Bank.

Senator WALSH. So that when the bank bought stock, the amount that stock cost the bank was credited by the bank upon the account of the broker?

Mr. ADKINS. Yes.

Senator WALSH. What did they do with the certificate of stock?

Mr. ADKINS. The certificate of stock was sometimes held by them as cash. If that certificate of stock came in too late to transfer on to the purchaser, it was just held right there in the bank books and called "cash."

Senator WALSH. Who was the purchaser?

Mr. ADKINS. He might be anybody, any customer or any individual who wanted to buy stock. They bought and sold for anybody who came along, whether he was a depositor or not.

Senator WALSH. Then did the bank get a commission on that?

Mr. ADKINS. Yes.

Senator WALSH. How much commission did they get?

Mr. ADKINS. The regular commission.

Senator WALSH. What did they do with the money?

Mr. ADKINS. That commission, on anything except a local security, up to 1910 went directly to the profits of the bank. After 1910 it went into the Flather & Flather account.

Senator WALSH. See if I have this correct. Suppose somebody wanted to buy \$5,000 worth of United States Steel stock.

Mr. ADKINS. Yes.

Senator WALSH. The bank ordered from a broker that stock, the stock was delivered to the bank, the bank put a credit upon that broker's account for \$5,000, and the bank collected from the customer \$5,200 for Lewis Johnson & Co., gave the customer the certificate, and credited the \$200 to this fund.

Mr. ADKINS. Up to 1910 they put it to their own profit and loss account.

Senator WALSH. Then it went into this account?

Mr. ADKINS. After 1910 it went into the Flather & Flather account, and then ultimately found its way into the profit account of the bank.

As a matter of fact, there was evidence in the affidavits in the civil case tending to indicate that some of the officers of the bank had been speculating. They were speculating on their own account, and there were four or five transactions pointed out by the accountants which would indicate that the officer of the bank had speculated against the customer of the bank. For instance, if I went in and ordered them to buy \$5,000 worth of Steel, say 50 shares, and Steel went up a point after that purchase was made for my account, the cashier of the bank might turn around and order that stock to be sold, make the profit of \$100, and take it himself, and then buy another 50 shares for me at \$5,100, or whatever it was. There was an affidavit made by a Department of Justice accountant who had gone carefully over the books of Lewis Johnson & Co., and he found four or five such transactions as that, where one of the officers of the bank had taken advantage of his inside position and apparently speculated against the customer.

The CHAIRMAN. What officer was that?

Mr. ADKINS. That was Henry H. Flather, and Mr. Flather subsequently resigned as cashier of the bank.

Senator WALSH. When?

Mr. ADKINS. After the civil case was argued.

Senator WALSH. The equity case?

Mr. ADKINS. Yes; after the equity case was argued.

The comptroller and his examiners found, among other things—and it is put in as an exhibit to our return—a list of borrowers of the bank aggregating \$1,900,000—I think there were 24 of them—and their credit balance altogether was about \$6,800, and according to our information others of those 24 were overdrawn about \$7,500. Mr. Evans put in an affidavit just before the case came to argument in which he showed that according to his figures the total overdraft there was about \$175. I do not know whether he had the same customers or not, because we had listed them in our list by letter rather than by name. But the difference there is not very material. Here were 24 borrowers having nearly \$2,000,000 with practically no balances, and some of them overdrawn.

It also appears that other borrowers, including these, had a total of \$3,600,000 of the loans of the bank, with a total balance of \$24,000.

I think I have already pointed out the fact that a very large percentage of the loans of the bank were made upon the security of stocks. There is a table in our return showing that they ran anywhere from 70 to 90 per cent, and twice the average of the other banks in Washington, or the banks in the country.

There was one case where, when the bank was holding one of these certificates of stock which it had bought in this way, the purchaser refused to come across and buy the stock, and the bank subsequently, on December 31, 1914, charged off a loss on that particular purchase—I think it was Rock Island stock—of \$17,254.50. That is on page 9 of the comptroller's affidavit.

That loss was charged off, not to profit and loss, but was charged off to Flather and Flather. In other words, the bank had gotten caught, as anybody is apt to be who conducts a stock brokerage business for a customer who has not put up collateral, and they had this substantial balance in the Flather and Flather account, and so, instead of charging it to their own profit and loss, they charged it there.

The CHAIRMAN. What year was that?

Mr. ADKINS. That entry was made on December 31, 1914. I think it is only fair to add that I gather from what Mr. Hogan said that the loss was subsequently paid by that individual to the bank.

The CHAIRMAN. I think he so stated.

Mr. ADKINS. I think this is the same transaction. It must be the Musher transaction. But at that time, while this investigation was on, the bank concluded that the loss was there, and charged it off to the Flather & Flather account.

Senator WALSH. Who was Musher?

Mr. ADKINS. Musher was the president of the Pompeian Olive Oil Co.

Senator WALSH. Was he an officer of this bank?

Mr. ADKINS. Oh, no; he was borrowing there and everywhere he could in Washington at that time.

I think I have already pointed out the entry of February of 1908 when they put into the Glover and Flather account a profit of \$56,918.54 made in a transaction with which Glover and the Flathers had nothing to do. I do not recollect whether you were in the room, Senator Walsh, when I mentioned that. It was a joint transaction conducted by the Riggs National Bank and the National City Bank, by which they purchased \$500,000 of bonds from the Crocker National Bank of San Francisco, in the fall of 1907, when the latter bank needed real cash during the panic, and then a few months later they sold the bonds at a profit of a little over \$100,000, and half of that profit went into this Glover & Flather account. Mr. Ailes conducted the transaction.

Senator WALSH. Your claim about that is that it should have gone into the assets of the bank?

Mr. ADKINS. My claim about that is that it shows the real character of the Glover and Flather account; that, as a matter of fact, they all realized this was a bank account, and that there was not any effort among themselves to conceal it, and that everybody expected that anything in the Glover and Flather and Flather and Flather accounts would go to the bank.

Senator WALSH. Was there anything wrong according to the banking laws in them purchasing those bonds?

Mr. ADKINS. Oh, no. The bank was openly carrying on this stock brokerage business. I have copies of some advertisements that they published. Here is one from the Washington Post of March 13, 1907, and another one of October 31, 1907:

Riggs National Bank. Capital, \$1,000,000; surplus, \$1,300,000; issues drafts which are available throughout the world; issues letters of credit; buys and sells exchange; transmits money by cable; makes investments for customers; makes collections for customers.

All perfectly legitimate banking transactions. And then it concludes:

Buys and sells stocks and bonds; special department for ladies.

In the other one it says:

Stocks and bonds bought and sold.

The CHAIRMAN. Buys and sells stocks and bonds for whom?

Mr. ADKINS. "Buys and sells stocks and bonds"—"Stocks and bonds bought and sold."

The CHAIRMAN. For its customers?

Mr. ADKINS. The inference is all these other things are being done for customers. They could not buy stocks on their own account, and they could not buy them for customers. It was just as wrong for them to invest in bonds as it was for them to buy them for others. Here is another advertisement of December 15 from Cockrell's Transcript, which is a local paper giving court and financial news, which concludes in this way: "Investments, stocks and bonds."

So, on November 19, 1913, when the comptroller was asking about this stock brokerage business, in a letter signed by four principal officers of the bank they concluded in this way:

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders as well as in charging purchases to accounts. The item above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

Indicating very plainly that the bank itself considered that it was doing just what it was advertising itself to do—conducting a stock-brokerage business.

That covers two of the things which the comptroller discovered as a result of the investigation which he made. He found many other violations of the law. I say those continued down to the time his investigations closed, and they stopped after the investigation. Whether they stopped as a result of the investigation may be a question of argument.

Another violation was in connection with excessive loans.

The CHAIRMAN. What investigation? To what year do you refer now?

Mr. ADKINS. I am referring to his investigation which began in 1914 and was concluded in 1915.

Prior to June, 1906, under the national bank law a bank might lawfully lend not more than 10 per cent of its capital stock to any one borrower. After 1906, by an amendment to the statute, it was permitted to lend 10 per cent of its capital plus its surplus. Up to that change in the law this bank was a constant violator of the law. The comptroller gives a table in his affidavit in which he calls attention to all of these excessive loans. At the time the bank was organized, when you might look for it to be in violation of the law because it had not been governed by this law heretofore, there were only two loans in violation of the law, one for \$70,000, and one for \$102,000. The limit at that time was \$50,000. By April, 1913, it had 14 excessive loans, aggregating \$2,800,000. The limit at that time was \$1,000,000. In November, 1903, it had 15 such loans, aggregating \$3,000,000 and over.

In addition to the fact that these loans were excessive, the bank had apparently attempted to conceal the fact that it was making such large loans. For instance, in 1903 the loans in the name of one borrower aggregated \$163,000, which was \$63,000 above the legal limit at that time. This gentleman wanted to get a quarter of a million dollars more, and he came in with a lot of stock which was good at that time for more than the loan. Instead of baldly violating the law, openly doing it, and handing him a quarter of a million dollars on his security, they had five of their clerks make notes for \$50,000 each, and the stock was split up into five parts, and each one of them put one-fifth of the stock in his note. There, of course, was a dummy note made by a clerk of the bank who had absolutely no interest in the loan. They were openly violating the law, anyhow, and probably it was not necessary to do that. But they did it that way.

When the examiner came along he discovered this, and he said, "Oh, you had better not do that. You had better let the books show what you are doing." So, at his insistence, they put in the new note for a quarter of a million dollars, with this stock, and that made the loans of that particular borrower over \$400,000, which at that time was about half of the capital stock, or one-fourth of the capital stock and surplus, and four times the limit. That violation of law ceased in 1906, when the law was changed.

There was another violation of the law in connection with stock investments. As you gentlemen know, under the national-bank law a national bank has no right to invest money in stocks. That is ultra vires its powers, and the courts have so held. This bank, from the time of its inception as a national bank, has violated that law. I understand that their excuse for that is the fact that they had a lot of such investments to start with in 1896, and that they told the comptroller that it would take them some time to get rid of those investments.

They started out in violation of the law. I do not know quite what power the then comptroller had to permit them to do so. There is a table again, on page 53 of the comptroller's affidavit, which gives these stocks from October, 1896, down to September, 1912. In October, 1896, the amount loaned was \$196,000, all in violation of the law. They gradually decreased that until, in September, 1901, it was only \$98,000.

Senator WALSH. Did they carry those on their books?

Mr. ADKINS. Oh, yes; they carried those on their books.

Senator WALSH. Of course, any such entry was a violation of the law?

Mr. ADKINS. The fact itself was in violation of the law. I would not say the entry was in violation of the law. So far their contention is borne out. But in the call of December, 1901, they jump up again to \$188,000. That is, in five years they have whittled their unlawful holdings down about \$100,000, from \$195,000 to \$98,000, and then within the next three months they jump up again to practically where they were before. That, of course, is not the excuse that they originally claimed. That must have been some new investment in violation of the law.

Senator WALSH. Could the stocks have increased that much?

Mr. ADKINS. No. The investments were not that fortunate. Then they gradually came down to where this table quits, in September, 1914, \$8,400.

That brings me to a point that I want to call to your attention, and it is really suggested by a question that Senator Walsh asked. Most of these stocks were carried openly, but not all. Throughout their history they resorted to this device, of the concealed or dummy note. There were some insurance stocks and title insurance company stocks, and I want to call your attention to the fact that all this weaves around. There is some reason for each violation of the law, and it is connected with their principal violation, that they were continuing to do this business which a national bank could not do. They were making loans upon real estate, some for the bank, most of them on commission. They were naturally interested in the titles and fire insurance policies upon the properties secured.

So they refused to get rid of some stocks in local title insurance companies and in local fire insurance companies, and finally, when the comptroller insisted, the examiner, when he next went around, found these stocks had been put up as security for a note given by one of the clerks in the bank. That is, instead of selling them and getting rid of them, the clerk gives his note and these things go out of the account "Stocks and bonds" and appear as collateral for what apparently is a real loan.

Senator WALSH. When was that done?

Mr. ADKINS. By letter of June 6, 1913, the acting comptroller called attention to this device—the said note then amounting to \$11,039.88—and informed the bank that the transfer of these securities to loans and discounts was not a disposition thereof. The bank was directed to restore the securities to the account of "Bonds, securities, claims, etc.," and to so carry them until regularly disposed of. So this dummy note was canceled and they went back to where they were.

All of those stocks were gotten rid of, as I recall it, except the insurance stocks, the title insurance company stocks, and possibly the fire insurance company stocks and they finally went to the credit of Flather and Flather. That is where they were at the time the comptroller's investigation began. They still had those stocks under their control. It might be they were in the name of Messrs. Flather and Flather, but so far as everybody in the bank knew they were the property of the bank, or the bank would get the benefit

of them. So far as I know, they are still there. That is where they were, anyway, at the time this investigation began.

I mentioned the \$3,000,000 deposit that they got in 1903 from the Government. Prior to that time their deposits had been quite small. In that connection there was a violation of law which did not involve any loss, but it was a violation of the statute. They had to put up security for this deposit, and they borrowed the necessary bonds, I think \$3,100,000 of bonds, from the National City Bank. Under the statute their borrowing should not exceed their capital, which was then \$1,000,000. So that they violated the law in making this excess borrowing.

Senator GRONNA. Is it capital, or capital and surplus?

Mr. ADKINS. Capital.

Senator GRONNA. Just capital?

Mr. ADKINS. Yes. It would have been a violation if it was capital and surplus, because their surplus was only a million and odd dollars.

Another violation was in connection with deficiencies in reserve, and this was one that was discussed here at some length the other day, I believe. Under the sections of the Revised Statutes a national bank in a reserve city—and Washington is a reserve city—shall maintain a cash reserve equal to 25 per cent of its total cash deposits. One-half of that reserve must be in cash in the vaults of the bank, and the other half may be deposited in national banks approved by the comptroller situated in one of the three central reserve cities. In this respect they violated the law almost steadily. Whenever one of their reports came in they very rarely had the 12½ per cent in cash in their vaults. Sometimes they were short both in the 12½ per cent cash and the 12½ per cent deposited in other banks. Sometimes when they were short in their cash they were over in their deposits in other banks. But that did not change the fact that they were violating the law.

The comptroller on page 55 of his affidavit gives a couple of tables showing this violation. For instance, on June 29, 1900, he shows a shortage in the cash reserve of forty-six thousand and odd dollars. On June 4, 1913, he shows a shortage in the cash of \$500,000. I want to call this to your attention particularly because Mr. Hogan referred to it as one of the half truths of which he said the comptroller was fond. We state in the affidavit that they were habitually short in the half of the 25 per cent which was required to be in their vaults in cash. We said they were quite frequently short in the other half which must be in other banks, and our table undertook to show the shortage. We give in the first column the cash shortages. We give in the second column the agents' shortages. They were not short with the agents nearly so often as they were with the cash. So, whenever they were not short with the agents, we simply left a blank there. This table undertook to give the shortages. That was all it was prepared to give. We also showed the total. Sometimes, and in perhaps half of the cases—and it might be more than half—their overage in the other banks was greater than their shortage in the cash.

The CHAIRMAN. Their overages are not carried out?

Mr. ADKINS. No. This was merely showing the shortages.

The CHAIRMAN. That is what Mr. Hogan complained of. Your dotted lines do not carry the amounts in the hands of agents.

Mr. ADKINS. They were not intended to carry them. That was not in violation of law with respect to the total. This table undertook to show the violations of the law. It was no excuse for one violation of law that they had more cash with the National City Bank of New York than was required.

The CHAIRMAN. But if he had included both accounts it would have created a very different impression in the mind of a layman who was considering the condition of the bank or its transactions in that regard.

Mr. ADKINS. This table was prepared by counsel, Senator. It was not prepared by the comptroller. If there is any criticism to be made, it should be made of counsel. There was no attempt on the part of counsel to show anything except the facts. We were showing the violations of law which this bank had committed, and this table is entirely accurate, as I understand the facts. It was prepared by the assistants, by the accountants, at our direction. If there is to be any criticism of it, of course counsel in that case must take that criticism. I do not think there is any just criticism.

The CHAIRMAN. You corroborate Mr. Hogan's statement entirely, that the deposits in the hands of the agents were not included in this report.

Mr. ADKINS. No; they were not intended to be. But Mr. Hogan says this was a half truth. That statement is not the fact. This table gives exactly what it purports to give, and wherever there was a shortage in the total it is shown. Where the total does not show a shortage, of course, it was not short. Any man with the slightest intelligence could understand the table.

Senator WALSH. That is, if the cash in the vaults and the cash they had deposited in other banks when totaled equaled the sum required by law, even though that happened, it would not justify them in having a less amount of cash than the law required?

Mr. ADKINS. That is my understanding.

The CHAIRMAN. That is correct. But my point is this: Take, for instance, September 4, 1906. This table states, "Cash on hand, 11.88 per cent." No cash, apparently, in the hands of the agents, according to this table. There might have been 20 per cent in the hands of the agents, which would make the total 32 per cent, much greater than the legal requirement, although it was not in the regular places.

Mr. ADKINS. This table indicates perfectly clearly that wherever there is not any figure in the total, the total is not short. Wherever there is a total shortage, we give it.

The CHAIRMAN. That is your inference.

Mr. ADKINS. That is the fact, Senator.

Senator FLETCHER. I do not understand there is any inference about it. The fact is this, that there would be a violation of law if they did not have the proper proportion in hand, no matter how much they might have in the other banks.

The CHAIRMAN. A technical violation of law; yes.

Mr. ADKINS. I do not know what you mean by a technical violation of law. The law is there, and if it is for each bank to say that this violation is technical and that is not—

The CHAIRMAN (interrupting). Omit the word "technical." As a matter of fact, the total reserve was above the legal requirement as deposited in both agencies?

Mr. ADKINS. Yes.

The CHAIRMAN. And the statement does not show anything but the amount deposited in the bank, held by the bank?

Mr. ADKINS. Does that excuse the violation of law?

The CHAIRMAN. I am not talking about excusing the violation of the law. I am talking about this report as creating a false impression.

Mr. ADKINS. Well, Senator, I say with all deference—I had a good deal to do with the preparation of this table and it was submitted to the other counsel—this table was prepared for the purpose of showing the shortages in reserves on the day of the report of condition, and we show the shortage in cash, and we do not show any shortage in agents. How can any intelligent human being read that report and be mistaken about the facts, and believe that it was a shortage in the agents? And what difference does it make, anyhow, if there was not a shortage in agents? We were not attacking in this table the responsibility of the bank.

The CHAIRMAN. It might not excuse the bank for keeping it there, but it does show a condition of soundness. All the bank would have to do would be to telegraph to New York and make its reserves good.

Mr. ADKINS. I thought you had understood that we did not attack the soundness of this bank in the equity case.

The CHAIRMAN. I do not know what you are undertaking to do.

Mr. ADKINS. I am undertaking to show here that this national bank had violated the law from the time of its organization, that these violations were discovered by the comptroller, and that he did what any reasonable, ordinary, prudent official in his position would have done, and that that was the decision of the court in this particular case.

Senator WALSH. Let me see if I understand the law. There must be 25 per cent in the reserve, 12½ per cent in cash, any way, and 12½ may be kept on deposit in other banks?

Mr. ADKINS. Yes.

Senator WALSH. If there are 50 per cent kept on deposit, and only 10 per cent in cash, it would be a violation of the law?

Mr. ADKINS. Precisely.

Senator WALSH. There must be 12½ per cent, anyway, in the cash, in the vaults of the banks?

Mr. ADKINS. Yes, sir.

Senator WALSH. And this table undertakes to show that that 12½ per cent was not there?

Mr. ADKINS. Yes.

Senator WALSH. They may have had 50 or 100 per cent in deposits, but that would not show that they were not violating the law, which required 12½ per cent cash?

Mr. ADKINS. No. Senator, this undertakes to show only the times they violated the law. Usually they violated it only in connection with cash. Frequently they violated it in connection with cash and in connection with their deposits, but that is all we show, and what we are undertaking to show.

Senator WALSH. I think the chairman is correct in his assertion that it might to a layman's mind show that the bank was not keeping the amount in reserve required, but I think the chairman is in dispute with you that you had a right to show that there was not 12½ per cent in cash.

Mr. ADKINS. It was not intended to show anything of the kind, and if there is any unfairness about that report it must be charged to counsel and not to the comptroller.

Senator GRONNA. Have you talked with practical bankers about this statement?

Mr. ADKINS. No; I have not discussed that with practical bankers. I have discussed it with bank examiners.

Senator GRONNA. They are not always practical bankers.

Mr. ADKINS. Not always. Some of them graduate from practical bankers. Some of them graduate into practical bankers.

As to the real estate loans, this bank was criticized from the beginning of its existence. No; I take that back. I was misled for the moment by what Mr. Hogan said. This bank was criticized for the first time in April, 1898—and I am reading now from page 48 of the comptroller's affidavit—in April, 1898, for holding real estate loans in violation of law. You will recall that is two years after it became a national bank. I understand the excuse made by the bank for its vast number of real estate loans is that they were loans it had legally as a private bank, and it took some time to get rid of them; and I can appreciate that might have been the case. But apparently the examiners who examined it in 1896 and 1897 had no criticism to make. In 1898 the criticism is that it holds \$7,600 only of improper real estate loans, and then it jumps up in 1899 to \$310,000, and runs along, gets up as high, in 1901, as \$400,000, drops down in 1910 to \$425, and nothing in 1911 and 1912, and then climbs back November 13, 1914, to \$193,000.

As I understand these sections of the Revised Statutes, they forbid a national bank lending its money upon the security of real estate. The only decision in the Supreme Court upon that subject is the one of *National Bank v. Matthews, First*, in 98 United States, 621, a case I have here. That was the case where the bank had made a loan and the borrower undertook to defeat the loan on the ground that it was on real estate security, and the court, in deciding the case, said that even though the statute forbids a loan of this kind, it does not make the loan void, and the borrower is in no position to plead *ultra vires* on the part of the corporation—simply ordinary, every-day corporation law. As I understand that case, that is the only decision that was made, that if I borrow money from a bank which is acting *ultra vires* I can not escape the payment because of that misconduct on the part of the bank.

Senator FLETCHER. The doctrine of estoppel would apply.

Mr. ADKINS. Certainly. There have been any number of cases of that kind. A national bank can not lend money on its own stocks, but it does do it repeatedly, and it always succeeds in getting a judgment, even if that judgment is not collectible.

This table on page 48 shows a constant violation of law in that respect. There has from time to time been some discussion as to what is a loan upon real estate. If I sell a house and take back a mortgage, we will say, of \$1,000, and then go to the bank and want to borrow \$1,000 myself on my own note, I may deposit that as collateral security for my loan. I think it has always been held that that is not a violation of law.

If, on the other hand, I go to the bank and say, "I want to borrow \$1,000, and I have no collateral and no indorser, but I own a house

worth \$5,000," it will be a violation for me then to go through the form of putting a trust upon that house, then making my note with this trust-secured note as collateral. In a case of that kind it simply depends upon the bona fides. As I understand it, the officials of the comptroller's office have contended from 1898 down to 1914 that the amounts mentioned in that table were loans made in violation of that section, construed most broadly in favor of the bank.

The CHAIRMAN. Is this the one referred to by Mr. Hogan on page 33, where he says:

The comptroller's office erroneously so held because subsequently, in about the year 1906, the United States Supreme Court, whose conclusions on that subject are binding both on banks and the comptroller, held that the comptroller's office and the Treasury Department had been all wrong in that construction and that a national bank had a perfect right to lend money on personal notes, even though those personal notes were buttressed and secured by real estate notes.

Mr. ADKINS. I do not agree with him, and I think he must be mistaken.

The CHAIRMAN. That is the same case, is it?

Mr. ADKINS. No; that is not the same case. This case was decided in 1878. I think he must refer to this case.

The CHAIRMAN. Very well.

Mr. ADKINS. In the comptroller's report on January 11, 1910, undertaking to give instructions to his examiners as to what they should do, he referred to that case as the only then decision of the Supreme Court of the United States.

Something has been said about directors' oaths. I think, as you know, under the national-bank law a man to be a director in a national bank must hold 10 shares of stock at least, free and unhypothecated. It transpires, from the reports made to the comptroller, that one of the directors of this bank owned 10 shares of stock, and for three years had had it hypothecated for a debt, and he had made this affidavit each year. Under the practice, an affidavit is made that you are qualified and hold at least 10 shares, free and unpledged.

The CHAIRMAN. What years?

Mr. ADKINS. For the year 1912 or 1914. Frankly, this particular director was very much surprised and horrified when he found what he had done. He said he did not know that was the law. And I think he resigned as a director.

The CHAIRMAN. What was his name?

Mr. ADKINS. Henry. Henry was the druggist then owning Thompson's drug store, at Fifteenth and New York Avenue.

The investigations in that connection disclosed several other interesting things. In these regular reports of condition made by the bank they are required to state the ownership of stocks by the directors. The reports of 1912, 1913, and 1914 showed over 1,100 shares of stock owned by Mr. Ailes, the vice president. In his letter of December 1, 1914, Mr. Ailes stated that in the year 1912 he owned only 180 shares, and in the year 1913 he owned 100 shares of stock of that bank. I think that came about in this way—and it was an inadvertence: Some of that stock had been put in the name of Mr. Ailes as trustee for the National City Bank, and undoubtedly whoever made that report merely looked on the stock records and saw that it was standing in his name; nobody paid any attention to it, and he signed it; but it turned out not to be the fact, and that report each year was sworn to by the directors who made it.

It also transpired that as to the two Flather brothers, the vice president and cashier respectively, they both said, "We know we always had 10 shares free and unpledged," but when the comptroller asked them to describe that certificate they said they could not do it.

As to the stock in the plaintiff bank owned by its vice president, Flather, and its cashier, it appeared from their letters that at all times each of them owned 10 shares of stock free from incumbrance, but neither was able to designate any specific certificate as representing the unpledged shares. This was due, I believe, to the fact that so large a part of their stock was pledged by them as security for loans.

All of those things that I have pointed out were in direct violation of the law, and many of them continued down to the very day that the comptroller's first call for a report was made. They were stopped, and all of them were stopped, either before or shortly after his investigation was concluded.

There were certain other practices which were not violations of the law, but were not good banking practices. One of them involved the use of these dummy notes. I think I have already mentioned it, but I will run over it very briefly.

Of course, the books of a bank ought to show the true condition. The books of this bank did not show the true condition with respect to many of these loans, notwithstanding the fact that Mr. Hann thought that they did. Mr. Hann did not go into all of these things; he could not have gone into all these things. I have already mentioned the fact that Mr. Glover wanted to loan \$86,000 upon this Navy Annex, as Mr. Hogan describes it. He did not have the money and there was not sufficient money in Glover and Flather and Flather and Flather. So Mr. Nevius, one of the tellers, made his note to the order of the bank for \$86,500, and Mr. Glover's collateral, ample collateral, was gotten out and put with it. But that transaction did not appear on the books of the bank as the real transaction, and that is one of the kind of transactions which the officers of this bank refused, resolutely refused, to report.

Among the notes was one for \$17,500, dated April 30, 1912, signed by Felt, who was not an employee of the bank. That note represented a loan made to W. J. Flather, a vice president, who furnished the securities attached to it. When the bank was first questioned about that note, it reported that Mr. Flather was interested in that note but not liable on it, and then, before the comptroller got through, they reported that that entire loan was made for his benefit, and I think equitably a court would hold that an officer of a bank borrowing money in that concealed way from the bank should be responsible, even though he had not signed the note, if there should be any deficiency in the securities; and I think it was admitted that the directors did not know about that particular transaction.

There was a similar note made by a man by the name of Nevius on August 22, 1911, for \$26,400. The bank reported, when that note was first questioned, that its cashier, H. H. Flather, was interested in it but not liable, and then later they reported, as they had done as to the Felt note, that it appeared—something that they did not know at the time—that that note was also made for the entire benefit of the cashier, and that he got the money, and of course he would have been equitably liable to the bank for that note.

Senator WALSH. Is that not criminal? Is there not any law which prevents a bank officer from getting funds from his own bank and using the name and note of another person? Of course, if he wrote that name himself, it would be forgery.

Mr. ADKINS. Of course, the clerks here were entirely willing to do it, and they did do it. I do not believe it is a violation of the law.

Then you will recall a loan made to the man who owned Capital Traction stock in 1903, where five of the bank clerks gave their notes.

Then you will recall also the note for \$11,000 or so made by one of the clerks of the bank, to which were attached as collateral security these title stocks and insurance stocks.

Those were only a few of the many instances that occurred. In a special report made November 7, 1914, the bank furnished a list of loans made by the bank since January 1, 1910, the collateral for which did not belong to the signer of the note. That described about 20 notes made by the employees of the bank where the collateral did not belong to them. Here were 20 notes made by employees for other individuals, who put up the collateral.

Senator WALSH. Was Nevius a clerk?

Mr. ADKINS. I think he was.

Senator GRONNA. I think you ought to state very frankly that that is a very common practice. That would simply be an accommodation note. It is not only not a violation of law, but it is a practice that occurs in every city of the United States, in every little village.

Senator WALSH. You do not mean that that is a common practice?

Senator GRONNA. I do mean that it is a common practice to make accommodation notes.

Senator WALSH. That an officer in a bank——

Senator GRONNA. When the security is good, when ample security is furnished, it is a common practice in every bank in the United States. There is not a bank in the country that would not take it.

Mr. ADKINS. For an officer of the bank, without the knowledge of the directors?

Senator GRONNA. I was not speaking about an officer. You were just now speaking of a man who was not connected with the bank.

Mr. ADKINS. But these were transactions where officers of the bank had borrowed money.

Senator GRONNA. But you just mentioned one, Mr. Felt, who had nothing whatever to do with the bank. He was not an officer of the bank, but he had given his note. I am not a lawyer, I am just a layman, but I do know——

Mr. ADKINS (interrupting). I am afraid I did not make that plain.

Senator GRONNA. Oh, yes, you made it very plain. The record will show you stated that this man was not connected with the bank.

Senator FLETCHER. Yes; but the man who got the money, Flather, was a bank officer.

Senator GRONNA. Of course, that is another transaction.

Mr. ADKINS. No; that is the same transaction.

Senator GRONNA. I say that where the money goes would be a secondary consideration. The question is, is the collateral good?

Senator WALSH. I asked Mr. Adkins if there is not any law to prevent an officer of a bank getting funds from his bank on a note given by another person.

Senator GRONNA. Of course, if you can show there has been collusion to defraud the bank, that is a different question.

Mr. ADKINS. Without being a lawyer, Senator, you are entirely right about that.

Senator GRONNA. I know I am right.

The CHAIRMAN. If the man who borrows the money has full security, and the note is properly secured, what difference does it make what he does with the money after he gets it?

Senator GRONNA. None whatever.

Mr. ADKINS. That is not the transaction.

Senator GRONNA. That is the question asked by the Senator from Massachusetts.

Mr. ADKINS. Let me see if I can clear this up. Here were two transactions. The vice president of the bank wanted to borrow \$17,500 and he had some collateral. Instead of putting his own note in there and letting that go before the board of directors, he got Mr. Felt, who was not employed by the bank, to make a note and take, not Mr. Felt's collateral but Mr. Flather's collateral.

The CHAIRMAN. Without indorsement?

Mr. ADKINS. Of course it was indorsed, so it could be realized on.

The CHAIRMAN. Then it ceased to be Mr. Flather's, after it was indorsed?

Mr. ADKINS. Not at all. It was a mere accommodation.

Senator GRONNA. Let me take another case while we are on that. Let us suppose that Mr. Flather gives Mr. Felt his own individual personal check for \$10,000, and tells him to go into the bank and draw the cash. Do you mean to say that it would be an illegal act or a criminal act for Mr. Felt to pay that money over to Mr. Flather?

Mr. ADKINS. Not at all.

Senator GRONNA. Is there any difference in the two transactions if the collateral is good, as good as you say, as good as gold, is there any difference?

Mr. ADKINS. I think there is a very decided difference. Collateral that is as good as gold to-day may be very poor to-morrow, you know.

Senator GRONNA. No.

Mr. ADKINS. And a year from to-morrow it may be very doubtful.

Senator GRONNA. That is, such collateral as you have in some of these large cities. I realize that. That is very fluctuating. But not collateral that is considered good out West.

Mr. ADKINS. I do not recall what the character of the collateral was here. I say this was a deception to the bank; that an officer of a bank, a cashier or a vice president, who wants to borrow its funds, ought to do it openly, and it does not make any difference whether he furnishes no collateral or ten times the amount of the loan. I say he is doing a bad banking practice and a wrong thing morally when he has some individual come in there and sign a note as a matter of accommodation for him, and then cease to have any further responsibility.

Senator GRONNA. You are a lawyer, and a good lawyer—I have heard something about you, and I know you are a good lawyer—

Mr. ADKINS. I thank you.

Senator GRONNA. Does it not make any difference what the motive is? If it is shown his motive is good, that the intention is simply to

transact a legitimate business for the purpose of making profits for the institution, would it make any difference?

Mr. ADKINS. His motive in borrowing the money would not be material. I suppose he borrowed the money because he wanted the money.

Senator GRONNA. Yes.

Mr. ADKINS. This was not to make profits for the bank. It was to make profits for himself.

Senator GRONNA. Would it make any difference whether the intention of the borrower was to defraud the bank?

Mr. ADKINS. I think it would.

Senator GRONNA. Or if it was to make money for the bank?

Mr. ADKINS. I think it would.

Senator GRONNA. I think so too.

Mr. ADKINS. I think, as you have suggested, if the cashier of the bank, the man who can part with its funds, the individual, undertakes to get funds out for the purpose of defrauding the bank, that of course would be a conspiracy to defraud. There was not any conspiracy to defraud the bank in this connection.

Senator WALSH. From the comptroller's standpoint, I would like to ask you what the situation would be if the cashier of the bank got 10 different people, on his collateral, or 20 different people, to borrow large sums of money, and the securities went wrong, the bank failed, and the Comptroller of the Currency knew that the cashier of the bank was using these names. What position would he be in as a competent public official?

Mr. ADKINS. I think he would be very derelict in his duty if he did not call the attention of the directors of the bank to that and urge them to get rid of a man who was playing with the funds of the bank for his own benefit in that connection.

Now, Senator Gronna, this business of a dummy or concealed note is a very dangerous thing. It did not result in any loss in this particular instance, but I think you will agree with me that it does not make any difference whether a man is successful or not, the real question is whether the thing is intrinsically wrong. There is not one rule for the man who succeeds and another for the one who does not succeed.

Senator GRONNA. You seem to confuse the question. You seem to see no distinction between an accommodation note and a dummy note. They are just as different as night is different from day, and any banker who has done any business whatever knows that there is a difference between a real accommodation note and a dummy note.

Mr. ADKINS. Is not the officer of the bank in a somewhat different situation from a borrower? Suppose I ask you to give me your note so that I may borrow money from the Riggs National Bank. That is a pure accommodation note, is it not?

Senator GRONNA. Yes.

Mr. ADKINS. And I may take that up and get the money and nobody can criticize either one of us—except you, for your unwisdom in doing that for me. However, if Mr. Flather wants to borrow money from the bank, he being an officer of the bank is in a somewhat different situation. The proper thing for him to do is to do it openly and to give his own note and furnish his own collateral. For some reason which I do not know instead of doing that, he goes to some-

body who is not financially responsible and says, "I do not want the bank to know"—this is the result of it—"of my borrowing this money. You make this note and go in and ask for the discount, and I will see you get it and will protect you from any loss on this note."

Senator GRONNA. If he does it in the way you suggest, if I were Comptroller of the Currency I would close up his bank.

Mr. ADKINS. That is the way it was done.

Senator WALSH. Is not the reason why officers are limited in borrowing from a bank that they have to pass upon their own notes?

Mr. ADKINS. Oh, yes.

Senator WALSH. And the law prevents them from doing that because they do not use the same caution and discretion?

Mr. ADKINS. Yes.

Senator WALSH. When the cashier of a bank uses his own money or security and gets another man's name is he not indirectly evading the law? He is passing upon his own transactions under another man's name.

Mr. ADKINS. He conceals something from his directors.

Senator GRONNA. Do you think it would be possible for Mr. Flather—I will use the name "Flather" because that is the question that is before the committee—to conceal anything with reference to having Mr. Nevius make a note? Do you not think that it is probable that every official of that institution would know and pass upon the security that Nevius would put up before a loan of that sort would be made?

Mr. ADKINS. I do not know whether the cashier does it there, or whether they have a discount committee for loans as large as \$17,500. I do know that the cashiers in many banks, without going to their committees, make certain loans.

I can only tell you what they reported the facts in this case. When this bank undertook the report about this note of Mr. Felt's, they said, "We understand that Mr. Flather has some interest in it but is not responsible on it." They did not know the facts. The directors did not know that Mr. Flather had gotten this money. A little later they looked into it further, asked Flather about it, and he told them. Then they said, "Why, the fact of the matter is that this loan was made for Mr. Flather's benefit." And I say that in equity Mr. Flather was responsible to the bank for the amount of that money. The same transaction was conducted by the other Mr. Flather for a slightly larger sum, \$26,400, and the money was obtained in the same way.

Senator GRONNA. Is it not reasonable to suppose that Mr. Flather would agree with you that he was responsible for that money?

Mr. ADKINS. I do not know whether he would or not. But if he was responsible, why did he not put his name on it? Why should he deceive? Why should he want to deceive the other officers of the bank? I do not know whether his loans then exceeded the limit. I do not believe they did exceed the limit. I do not believe this amount would have made that exceed the limit. But in some of these cases the dummy loan was made for the purpose of concealing the fact that he had an excess loan.

Senator GRONNA. I dislike very much to have to argue for Mr. Flather—I do not know Mr. Flather, and I hold no brief for any banker as far as I am concerned, but I just want to know the facts.

Mr. ADKINS. That is what I want to tell you.

Senator GRONNA. I am unable to understand your argument. A lawyer is likely to get a little too critical.

Mr. ADKINS. Technical?

Senator GRONNA. Technical and hypercritical.

Mr. ADKINS. I do not want to do that.

Senator GRONNA. I am not going to find any fault with it, but at the same time, as a practical man, as I told you this morning, who knows something about banking, I can not agree with you.

Mr. ADKINS. You understand I do not hold any brief for anybody here. I am only undertaking to tell you what I understand the facts here to be, and I might say in this same connection—and I am almost through, Mr. Chairman—

Senator GRONNA. You are, of course, trying to show to the committee the reasons why these questions were asked.

Mr. ADKINS. And what that discloses.

Senator GRONNA. And the committee, I am sure, is anxious to know it, and they ought to know it.

Mr. ADKINS. I might say in this connection, too, Senator, that from my own experience in national banks—and for several years I watched the prosecution of officers who were prosecuted—this question of a concealed loan to one of the officers usually plays the main part whenever there is a failure. There was not anything of that kind here, but it is a vicious banking practice, and there is all the difference in the world between a dummy note and an accommodation note. An accommodation note is all right if the accommodation man is good. But the officers of a bank ought to know whenever one of their number undertakes to borrow money from the bank that he is doing it, and the Comptroller of the Currency ought to know that he is doing it, and by this process these very large loans—loans that to me would be very large—were made without the officers of the bank knowing about it.

There were other loans, and very large loans, made directly to the officers of the bank. They are stated in a table which Mr. Williams has annexed to his affidavit. They got up in May, 1913, to \$761,000, and that table shows that that does not include the dummy or concealed notes, because the comptroller was unable to get hold of them. And I might say in that connection that the report upon which the fine was imposed was a call by the comptroller for the very purpose of getting the information which would comply with his inquiry in this connection. He says, "Give me a list, during the existence of this bank, of all such notes and loans which have been made, all indirect or concealed, as well as direct loans by officers of the bank." They said, "We will not do it," and they did not do it.

Also during this period there were very substantial loans made to a very large number of officials in the Treasury Department. And there were a number of them connected with the comptroller's office. There is a table of those loans also set forth in the comptroller's affidavit. I assume that this committee has before it the pleadings in the equity case. They would be very helpful to you.

Senator WALSH. Were those loans to Treasury employees based upon collateral?

Mr. ADKINS. Sometimes there was collateral and sometimes there was not. They were all paid, with one exception. There was one

exception where there was a loss of several thousand dollars. One was a bank examiner, one was a comptroller, one or two assistant secretaries. There is a list of them set forth somewhere.

Senator FLETCHER. I do not think we have those pleadings. Are they printed in sufficient number so that the committee can have them?

The CHAIRMAN. The pleadings?

Senator FLETCHER. Yes.

The CHAIRMAN. What do you mean, the court proceedings?

Senator FLETCHER. Yes.

The CHAIRMAN. I do not know.

Senator FLETCHER. Mr. Adkins, how many copies of those pleadings have you? I do not think the committee has them. They were not put in our hearings anywhere.

Mr. ADKINS. I have a number of copies of the comptroller's affidavit, but only a few copies of the other affidavits. There was a return made by the comptroller, this document, and one made by the Secretary, which was printed separately, and one made by the Treasurer, which was very short. Then there were three or four other affidavits filed in support of those.

The opinion of Mr. Justice McCoy also has been printed, and that might interest you. I have an abstract, which I had made of that opinion, taken chronologically, which I had made for use before the court in the McFadden case, and I am entirely willing to give you that if you care for it.

Now, gentlemen, I think I have covered the salient facts of the civil case. The Comptroller of the Currency had some of these facts reported to him by his bank examiner in May, 1914. He was told by the bank examiner that there was this Flather and Flather account, with a balance of \$50,000 in it, partly securities, including these stocks I have mentioned, and some cash, and he undertook to find out what it was about, and he never did get a positive answer as to the ownership.

He was also met with refusals to let the examiner find out what balances these other large borrowers on stock securities had, and then he started in to make these calls and one report led to another until, as a result of that investigation, he discovered these violations of the law, seven in number. Many of them had continued throughout the entire period of the existence of the bank, and they were stopped only after he had begun his investigations. Whether that was the result of his investigations may be a question for argument. But the fact of the matter is that his predecessors had been criticizing this bank from the time of its existence. Their criticisms had been couched in what the bank considered proper official language and they had been practically ignored. When Mr. Williams took up the situation and found these various things, he insisted that they be corrected, and he used at times fairly strong language, no stronger than the bank used in reply, but it was language that was sufficient to accomplish the purpose, and by the time his investigation was over, these unlawful acts had ceased.

All of that was submitted to Mr. Justice McCoy, and in that very elaborate opinion he took the various things up, one by one, discussed the evidence pro and con, and held that the comptroller was absolutely within his power in making these calls for reports; that

there was no evidence of malice or ill will on his part, but, on the other hand, if there was any malice anywhere in the case, it was upon the part of the officers of the bank; that the comptroller would have been derelict in his duty had he not made these calls; and that, so far as the court could see as a man, he could not understand why any officer of a bank would refuse for one minute to make a report showing the indirect and concealed loans made to the officers of the bank.

Senator FLETCHER. Mr. Chairman, I think we ought to have in the record, anyhow, if we can not get all of these pleadings in, which are quite voluminous, a copy of that opinion of Justice McCoy.

The CHAIRMAN. I think so, too. Will you furnish a copy, Mr. Adkins?

Mr. ADKINS. Yes; I can give you one right now.

Senator FLETCHER. Let us have that included in the record.

Mr. ADKINS. I have it here in two forms, in the Law Reporter, in which form I think perhaps you would prefer that, because it contains headnotes made by the reporter, somebody entirely disinterested. There are four numbers.

If you care for it, I have this digest here of the opinion, which reduces it to about one-tenth of the length of the opinion itself.

Senator FLETCHER. We had better have the opinion. We have the digest of it in another instance.

Mr. ADKINS. That covers everything I have to say, unless somebody wants to ask me questions.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Adkins any questions? If not, that is all.

(The opinion of Mr. Justice McCoy referred to is as follows:)

Supreme Court of the District of Columbia, holding an equity court. The Riggs National Bank, of Washington, D. C., plaintiff, v. John Skelton Williams, Comptroller of the Currency; William Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States, defendants. Equity; suit against United States officers; injunction; national banks; special reports; powers of Comptroller of the Currency; assessment of penalties; verification of reports.

1. The exemption of the United States from suit does not protect its officers from personal liability to persons whose rights of property they have wrongfully invaded; and in case of an injury threatened by the illegal action of a Government official he can not claim immunity from injunction process on the ground that the suit is one against the United States.

2. The validity of the action of the Comptroller of the Currency in imposing penalties upon a bank for alleged failure to file certain reports called for by him may be inquired into by the court and if found unwarranted by law the payment of interest on bonds of the bank withheld for the purpose of meeting the penalties assessed may be compelled.

3. The Comptroller of the Currency acts within the powers conferred upon him by law where upon a review of the entire situation he determines that penalties should not be assessed against a bank in a particular case.

4. Where, however, at a time a suit for an injunction was filed it appeared that the comptroller had not only assessed penalties of \$5,000 against the plaintiff bank and directed the withholding of interest on bonds with which to meet such penalties, but was also claiming that certain reports made by the bank were unsatisfactory and that penalties of \$100 a day were being incurred by the bank, the fact that in response to the bill the comptroller made affidavit that reports having been made to all the calls, although not within the time prescribed by law, he did not intend to assess any penalties other than the \$5,000, and waived the right to assess any other penalty on such calls, will not preclude the court from passing upon the right of the comptroller to assess such penalties.

5. In such a case, equity has jurisdiction because of its being alleged that property rights are being threatened by acts of a Federal officer claimed to be unlawful which if not restrained will lead to a multiplicity of suits.

6. The matter of the deposit in bank of public funds is one within the uncontrollable judgment of the Secretary of the Treasury, and his action in that regard could not be restrained even though he should threaten the withdrawal of deposits with the hope that by so doing he would injure a particular bank.

7. A bill in equity against the Comptroller of the Currency, Secretary of the Treasury, and Treasurer of the United States to have declared illegal the action of the comptroller in assessing certain penalties against the plaintiff bank, to enjoin the threatened assessment of further penalties, and charging a conspiracy on the part of defendants to injure the bank, held not to state a cause of action against the Secretary of the Treasury, and the bill dismissed as to him unless he should be a necessary party in order to give relief by way of directing the payment of interest on bonds of the bank withheld because of the penalty assessed by the comptroller.

8. Section 5211, Revised Statutes, United States, authorizes the Comptroller of the Currency to require from banks, in addition to the five reports as to resources and liabilities therein provided for, special reports from a particular bank, and such special reports are required to show what the comptroller may in his judgment deem necessary to a full and complete knowledge of the bank's condition, and are not to be confined to a mere statement of resources and liabilities as are the five general reports provided for.

9. Section 5211, Revised Statutes, United States, construed to make lawful any inquiry by the comptroller for the purpose of obtaining information, not only as to current items on the books of the bank, but also for the purpose of informing himself generally as to the management of the bank.

10. Whether official action is so arbitrary as to amount to a total lack of authority is a mixed question of law and fact.

11. An act can not be held arbitrary if it is reasonably related to a particular lawful purpose or unless the court can say the means have no reasonable relation to the end.

12. The calls for reports made by the comptroller in the present case held lawful, but that officer held not authorized to demand that such reports be verified by the persons designated by him to swear to them.

13. Held, therefore, that the comptroller having called for a report not verified and attested as provided in the statute could not lawfully assess a penalty for a failure to comply with the demand made by him.

14. Except for the purpose of compelling payment of the interest due the plaintiff bank and retained to meet the penalties unlawfully assessed by the comptroller and of enjoining the assessment of other penalties for failure to comply with the demands for reports the bill dismissed as to all the defendants.

In equity, No. 33360. Decided May 31, 1916.

Hearing on a motion to dismiss a bill in equity for an injunction, etc.

Mr. F. J. Hogan and Mr. J. W. Bailey for the plaintiff.

Mr. L. D. Brandeis, Mr. Charles Warren, Mr. J. C. Adkins, Mr. J. E. Laskey, and Mr. Samuel Untermyer for the defendants.

Mr. Justice McCoy delivered the opinion of the court:

The bill is filed against the defendants in their official capacities and is before the court on a motion of the plaintiff for a preliminary injunction, and on motions by the defendants to dismiss on several grounds which will be stated hereafter.

The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency; consequently, the motion for preliminary relief was denied except in so far as it made necessary a consideration of the question of the powers of the comptroller to call for special reports from banks.

The allegations of the bill other than those which are formal or relate to the standing of the plaintiff are substantially of two classes, one consisting of allegations inserted for the purpose of showing malice and ill will on the part of the defendants McAdoo and Williams toward the officers of the plaintiff bank, and the other consisting of allegations as grounds for relief. In stating the case made by the bill the allegations of facts thought to prove malice and ill will will be only briefly stated for reasons given below. The substance of the allegations is as follows: The defendants are sued in their official capacities. The plaintiff is a national banking association with its principal place of business in the District of Columbia, incorporated on or about July 1, 1896, and in that year succeeded to the large and prosperous banking business for many years conducted by a partnership under the name of Riggs & Co., since which time it has done a successful business and is now in excellent financial condition. It

is the Washington representative of several hundred national banks and has extensive foreign relations, being the correspondent of a number of foreign banks and bankers, and it issues many letters of credit for use in foreign countries. It has a good reputation and its financial standing is unquestioned and unquestionable. It enjoys the confidence of the community in which it does business and of banks and bankers throughout the United States and foreign countries. Neither the Secretary of the Treasury nor the Comptroller of the Currency has charged that the plaintiff is not entirely solvent or that its loans, discounts, investments or other resources represent either bad, doubtful or slow securities to an extent possible to impair its capital or reduce its surplus. The defendant Williams became Comptroller of the Currency February 3, 1914. He had theretofore been Assistant Secretary of the Treasury. On March 4, 1915, the plaintiff filed with the comptroller one of the five reports required by law, and neither he nor the Secretary of the Treasury claims that such report is not a true and correct statement of the resources and liabilities of the plaintiff.

The defendants Williams and McAdoo have confederated, combined, and conspired so to use and abuse and exceed the powers conferred on them by the laws of the United States, particularly the powers conferred on the Comptroller of the Currency by sections 5211 and 5213 of the Revised Statutes, as to impose upon plaintiff unlawful, excessive, and ruinous penalties, and entirely to cut off the plaintiff from certain large bank deposits hitherto held by it and greatly to injure, if not wholly destroy, its business, and it is their purpose and intent willfully and maliciously to inflict irreparable injury on the plaintiff in defiance of law and in violation of their official oaths and wrongfully to subject it to their arbitrary actions, which are unauthorized by any law and in palpable violation of plaintiff's property rights in the premises, and thereby confiscate or destroy the same.

The sections of the Revised Statutes under which the defendants are claiming to act are set forth, and also section 5241 as it originally stood and as amended by the Federal reserve act of December 23, 1913. This section limits the visitatorial powers to which banks shall be subject to those which are authorized by law or vested in courts of justice or such as shall be or shall have been exercised or directed by Congress or by either House thereof, or by any committee of Congress or of either House duly authorized. Section 5211, being one of the sections of the Revised Statutes quoted in the bill after providing for five reports during each year to be transmitted to the comptroller by all banks, provides that:

"The comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition."

Notwithstanding the above-mentioned provisions, the defendant Williams has called on the plaintiff bank for numerous special reports which are "wholly impertinent and irrelevant to a full and complete knowledge of its conditions and which are unnecessary for that purpose in any reasonable judgment of the Comptroller of the Currency, and has wrongfully subjected the plaintiff to an exercise of inquisitorial and visitatorial powers other than such as were authorized by law, and has also wrongfully and maliciously subjected the plaintiff, by conducting a persistent and unlawful and unauthorized inquisition, to compliance with many such calls at great expense, and has imposed upon plaintiff's officers and employees an appalling mass of totally unnecessary work in hindrance and detriment to a proper and orderly conduct of its said business; and in addition the defendant Williams has in flagrant violation of law assessed certain numerous penalties against the plaintiff * * * and is still continuing and threatens to continue so to do, with the result that at the present time the penalty so as aforesaid unlawfully assessed by the said defendant Williams against the plaintiff bank amounts to about \$150,000, as nearly as the plaintiff can ascertain, or calculate, but the plaintiff, with one exception, is entirely without any intelligent statement from the defendant Williams as to why such penalties have been inflicted or as to the exact amount thereof, either as to their total amount or as to the per diem total thereof."

These penalties are so excessive as to destroy the plaintiff's business unless the collection of them is restrained, and the three defendants have unlawfully retained and caused to be retained the sum of \$5,000, being interest due on bonds deposited by the plaintiff with the Treasurer of the United States to secure its circulation, and it is intended to pay said sum of money into the Treasury of the United States, and it is also threatened and intended to retain and pay into the Treasury the future interest on said bonds when and as the same shall become due to the plaintiff.

The defendant Williams, while Assistant Secretary of the Treasury, openly manifested his personal hostility to the plaintiff bank and its officers in ways not stated.

Prior to December, 1913, "the defendants McAdoo and Williams had in ways which will be fully detailed in the evidence to be taken in this suit, openly and publicly

manifested their personal malice toward certain of plaintiff's officers:" and thereafter and on December 3 and 4, 1913, during the course of a discussion as to the responsibility for a certain newspaper article two of the officers of the bank were charged with such responsibility by the defendant McAdoo and one of said officers informed the defendant McAdoo that the latter's attitude could only be regarded as one of personal persecution, whereupon said defendant McAdoo ordered him out of the Secretary's office and said to the president of the plaintiff: "You know what this means to the Riggs National Bank," the bill adding: "Meaning thereby from that time on the power of the Treasury Department would be aggressively used for the ruination and destruction of the plaintiff bank in order to satisfy the personal malice and ill will of the defendants Williams and McAdoo against its officers. Shortly afterwards the said defendants Williams and McAdoo began a series of persecutions against the plaintiff bank for the purpose of impairing or destroying its said business as hereinafter more fully shown."

Shortly afterwards the defendant Williams was nominated to the office of the Comptroller of the Currency and made to the Committee on Banking and Currency of the Senate, when the matter of his confirmation was up for consideration, a vicious attack on the officer so charged with responsibility for the publication of said newspaper article on the false assumption that the latter was responsible therefor.

The bill then goes on to set forth the specific acts of the various defendants which the plaintiff claims are wrongful, first taking up those against the Secretary of the Treasury.

It has been the custom of the Treasury Department to deposit in various national banks in the District of Columbia a sum of money approximately equal to the taxes paid by the District into the Federal Treasury. These taxes have been made in proportion to the individual deposits in each of said banks and from the distribution of this money for deposit in May, 1914, the defendant McAdoo "arbitrarily" eliminated the plaintiff; and on inquiry being made as to the reason for such elimination stated that he was not required to give any reasons for his action, but that the reason was that the plaintiff bank did a relatively small commercial business and that he thought it would be a greater benefit to the commercial interests of the community if the money were placed in other banks, and stated further that it was his purpose to withdraw all Government funds from the plaintiff bank, this expressed purpose, the bill says, being an execution of said threat embodied in the words above quoted, namely, "You know what this means to the Riggs National Bank." Thereafter plaintiff was discontinued as a Government depository.

The "plaintiff believes and therefore avers" that the defendant McAdoo succeeded through personal efforts in having gradually withdrawn from the plaintiff bank deposits of Panam Canal funds, the deposit of which are within the exclusive jurisdiction of the Secretary of War, and that there now remains with a balance of said funds amounting to approximately \$22,000. All of said withdrawals and withholding of deposits were made at a time when banks were hoarding their money and when the bonds given to secure the payment of said Canal deposits could be marketed only by private sale, the war in Europe having resulted in the closing of public exchanges and when prices of securities were at lower figures than they had been for many years and when panic conditions existed, and that all this was done in a deliberate attempt to wreck the plaintiff bank, and in execution of the conspiracy existing between the defendants Williams and McAdoo for that purpose arising out of the said two defendants' personal hatred of certain officers of the plaintiff bank.

While the defendant McAdoo was acting as stated the defendant Williams was harassing the plaintiff in wrongful ways, and except for its great strength it would have been seriously crippled, and such was the result intended.

Except for his alleged cooperation with the Comptroller of the Currency no other specific charges are made against the Secretary of the Treasury.

While Assistant Secretary of the Treasury, the defendant Williams became the treasurer of the American Red Cross Society in accordance with the custom long prevailing to appoint an Assistant Secretary, but after becoming Comptroller of the Currency he retained the office of treasurer of the Red Cross. During the summer of 1914 the defendant Williams began an ultimately successful effort to withdraw the Red Cross account from the plaintiff bank, while the defendant McAdoo was engaged in causing the withdrawals of United States Treasury and Panama Canal funds. The comptroller carried on his efforts under the guise of endeavoring to secure a higher rate of interest on deposits by means of competition with rival banks and induced the Red Cross to permit him to invite bids from local banks, including the plaintiff. Higher bids than the plaintiff's were received, but the Red Cross declined to remove its funds, the difference in bids being only slight and the plaintiff bank having for

many years successfully handled the funds. Shortly after the European war began the defendant Williams used that situation to recommend that security be required to protect the deposits of the Red Cross funds in the plaintiff bank and to require of the bank an interest rate of not less than 3 per cent on daily balances. The plaintiff declined to pay interest on balances in excess of \$150,000 and to deposit any of its securities, claiming that such deposit would be unlawful. The result was that the Red Cross deposits were withdrawn, until at the time of the filing of the bill there remained a balance of about \$100.

The comptroller began on June 9, 1914, the sending of a series of letters to the bank, containing unauthorized demands for special reports. There are certain characterizations of letters received from the comptroller and an allegation that to a request from one of the attorneys for the bank made through a national bank examiner for an indication of any practice of the bank considered to be of even doubtful propriety such practice would be discontinued, and a further request by letter from the board of directors offering to improve the methods of the bank questioned by the comptroller, and asking for suggestions, which suggestions were not made, the request being replied to sarcastically. It is said that the comptroller's language regarding fines threatened in these letters has generally been vague and unintelligible and that he has refused to clarify his meaning, and that the penalties threatened, as nearly as they can be calculated, amount to a very large sum.

A bank examiner took off from the plaintiff's books a list of loans in excess of \$5,000 secured by collaterals. The comptroller for the purpose of establishing that the plaintiff was loaning large sums of money secured by stocks and bonds to borrowers who were not carrying substantial deposit balances, demanded that the amount of balance to the credit of each borrower be stated on the lists submitted. This the bank refused to do, claiming that there was an outstanding rule of the Bureau of the Comptroller of the Currency against so doing; thereupon the comptroller demanded that a list be prepared and furnished under oath together with a statement of all commissions collected and personally appropriated by certain executive officers of the plaintiff in connection with the purchase of bonds and stocks upon which plaintiff bank was loaning money, and on account of certain transactions in which the assets of the bank were concerned; and also information relating to the handling of the funds of the bank and in regard to commissions collected personally by officers of the bank on real estate loans negotiated by said officers for account of plaintiff's depositors and charged to their accounts on the books of the bank; also, a list of borrowers to whom plaintiff bank had made loans aggregating \$5,000 or more. The plaintiff's president asked for time to submit the request to a meeting of the board of directors, but the comptroller persisted in calling for a report at once, threatening the imposition of penalties. The plaintiff objected that the comptroller had no authority to call for a report to be made at once and that the section under which he purported to act did not authorize him to call for reports of the nature of the one demanded. Before this incident was closed there was certain correspondence between the comptroller and the bank, during the course of which the plaintiff's president stated that "there was no foundation for said defendant's assumption that any officer of the plaintiff bank had profited by commissions received in connection with transactions of the plaintiff bank," and denied that the plaintiff bank had made any real estate loans in contravention of the statute; and later, in pursuance of authority conferred by the board of directors, the officers of the bank sent to the comptroller's a statement of the individual balances of depositors demanded as aforesaid. The comptroller has never formally assessed a penalty against the plaintiff in connection with this particular demand nor advised the plaintiff of the amount of any penalty nor withheld any sum assessed as a penalty from interest becoming due to the plaintiff on bonds deposited to secure circulation, although in assessing a penalty for failure to obey a subsequent and different demand it was stated that such assessment was in addition to other penalties to which it was claimed the plaintiff was liable.

Another demand of the comptroller complained of was for a report showing whether or not the plaintiff had a private telegraph wire connected with stock brokerage houses in New York, and if so, whether the line was used for transmission of orders for the purchase of stock on the New York Stock Exchange by officers of the Riggs National Bank personally or officially, and if so, what commissions had been charged upon such transactions during the past 12 months, and how the same were credited or disposed of, and, further, whether any part of the expense of such wire was borne by the Riggs National Bank, and if not, by whom. The right of the comptroller to make this demand was questioned, but the information was given.

The comptroller demanded a special report giving the names of certain extra employees who, it was claimed, were engaged for the purpose of permitting compliance with the comptroller's demand, together with dates of their employment and the salary

or wages at which they were engaged. This demand was complied with, although it was claimed not to be within the power of the comptroller to make.

The comptroller demanded information as to whom the funds in a certain account appearing on the books of the plaintiff bank in the name "Flather & Flather" belonged. Every fact respecting this account, amount thereof, source of funds credited to it, and the use from time to time made of those funds was fully and repeatedly stated to said Williams, who thereupon demanded the sworn opinion of the officers of the plaintiff bank on the legal conclusion respecting the ownership of said account. The officers of the bank declining to express an opinion on the question of law, the comptroller demanded that the said information be given under oath to the best of the knowledge and belief of the officers, who persisted in their refusal, whereupon they were notified that the plaintiff bank was subject to a continuing penalty of \$100 a day for such refusal.

The unwarranted demands of the comptroller have resulted and are resulting in practically depriving the officers of the bank of the time necessary for the proper discharge of their duties and the conduct of the plaintiff's business.

The comptroller made demands for certain reports, the nature of which is not disclosed, and the allegation is that he fixed a time beyond five days within which to make the reports; that in so doing he acted without authority and that the subject matter was not within the province of section 5211 of the Revised Statutes. It is also alleged that compliance was physically impossible, but there is no allegation to the effect that further time was asked, and it is not stated whether the demands were ever complied with.

The comptroller demanded a statement as to loans made by the bank directly or indirectly to Secretaries and Assistant Secretaries of the Treasury of the United States and to Comptrollers of the Currency and national bank examiners for 10 years prior to the demand. This demand was complied with in 15 days thereafter, which was the shortest time within which it could be prepared. Thereupon the comptroller demanded a similar report in regard to all such loans made since the organization of the bank. This was furnished. Then a demand was made for a report of loans to the employees of the comptroller's office. This was also furnished.

On August 6 the plaintiff asked for the printing of additional national bank notes, which it was entitled to take out on the security of bonds of the United States, the order for the printing having been given in April. On August 10 the comptroller asked for information in regard to securities eligible for such additional currency as the plaintiff claimed to be entitled to, saying that commercial paper was acceptable for the purpose and asking for a statement of the amount of commercial paper held by the bank. He was informed that the bank did not propose to take out any Aldrich-Vreeland currency; nevertheless the comptroller persisted in calling for a list of commercial paper as defined by the Aldrich-Vreeland Act, and also called for a list of securities available for additional circulation under the act, and on August 15 the bank submitted a list of commercial paper and of securities. Certain criticisms of this list were made by the comptroller and thereupon a request was made by the bank for some authoritative definition of commercial paper so that it might review the list sent. Whereupon the comptroller repeated his demand, quoting the text of the Aldrich-Vreeland Act as a definition of commercial paper; whereupon the bank advised the comptroller that if it should have occasion to apply for Aldrich-Vreeland paper it would submit a list of securities, asking "to be excused" from further discussion of the meaning of the terms "commercial paper" and "actual commercial transaction." Thereupon the comptroller notified the bank that it was liable for per diem penalties prescribed by the statute. Again the matter was taken up with the bank by the comptroller and an additional demand made for information and the information was given, notwithstanding the protest of the bank that no right to call for it existed, and the plaintiff offered to get further information in regard to certain notes which it held, to which offer the comptroller replied that he would not require this to be done.

The next allegation is in regard to a demand for a special report made by the bank. A special report was furnished. It is stated argumentatively that the call for said report was "alien to the condition of the plaintiff bank" and an unlawful inquiry under color of office.

The comptroller made a call for a special report in regard to oaths of office of the plaintiff's directors, presumably as to the hypothecation of stock owned by them, and directed the plaintiff to request that each of its directors furnish a statement under oath containing numerous details as to their stock ownership in the plaintiff bank. This report was made. He made like calls on a certain national bank and trust company in which certain officers of the plaintiff bank were directors, but not on other banks and trust companies in the District of Columbia.

Without stating any facts, it is alleged that the comptroller maliciously used the powers of his office and his personal endeavors to prevent the plaintiff bank from continuing to act as local agent or correspondent of several hundred nonlocal banks.

There is set forth a certain occurrence for the purpose of showing hostility of the comptroller toward the officers of the bank, and it is also alleged that the comptroller stated that if the plaintiff did not obey the law he would not permit it to act as reserve agent.

It is further alleged that there was an unnecessarily protracted examination of the bank by bank examiners, continuing from the middle of November, 1914, into the middle of January, 1915, during which the examiners went through old ledgers and accounts of the plaintiff back to the date of its organization. A bank examiner brought from without the jurisdiction of the District of Columbia began on January 15 the examination of the officers of the bank regarding certain matters. The examination was extensive, prevented the officers from giving their attention to the conduct of the bank's business, and was not necessary to a full and complete knowledge of the bank's condition.

The written communications between the comptroller and the plaintiff became so numerous that the plaintiff at its own cost caused the same to be printed in convenient form for its own use and the use of its counsel. During one of the examinations already referred to, the examiners asked for copies of the printed correspondence. That request was not complied with. The comptroller then demanded that the plaintiff furnish him at once copies of the printed correspondence, and also to be informed how many copies were printed, to whom they were delivered, and how many had been destroyed. The report was to be signed and sworn to by the president, two vice presidents, and cashier. It is not stated whether the request for the report was complied with beyond the giving of one copy of such printed correspondence to the local national bank examiner, who gave it to the comptroller.

A demand was made by the comptroller for information as to whether or not books of record, or accounts, or portions thereof, or of correspondence, or reports, or statements, or vouchers of the bank had been destroyed. The call contained an insinuation that there had been such a destruction and required the information to be given by affidavit made by the president, two vice presidents, cashier, and assistant cashier of the plaintiff. This call was complied with.

On January 15, 1915, the comptroller called for a report in regard to certain loans secured by collateral, all of which had been paid, the circumstances attending which in no way affected the present condition of the plaintiff, one loan being of \$86,500 and the other of \$24,000, which he falsely called "dummy" or "concealed" loans. The call was complied with, although the plaintiff showed that the loans were entirely proper.

The comptroller then made the following demand:

"In view of conditions in your bank brought to light by the national bank examiners, this office, in order that it may be more fully informed as to the extent to which the funds of your bank have been used by its officers for their personal and private benefit through indirect, or 'dummy' or concealed loans, as well as through direct borrowings, requests that you prepare and deliver to this office within 10 days, under penalties provided in sections 5211 and 5213, Revised Statutes of the United States, a statement or report showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above-named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect, or 'dummy' or concealed, loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them, giving a full description of all notes and of the collateral, if any, by which they were secured; also showing what portions of the proceeds of said notes were received by or credited respectively to the said Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case.

"Let your reply be under oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, jr.," to which the defendant replied as follows:

"We have received your letter of the 22d ultimo, in which you say that in view of conditions in this bank brought to light by the national bank examiners, etc., you request that we prepare and deliver to your office within 10 days, under penalties provided in sections 5211 and 5213, Revised Statutes, a statement showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral, by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them, in each case."

"Replying to your first request we beg to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank to any of the officers named by you. We beg to say further that for more than 10 years past no one of the officers of this bank named by you has ever borrowed one dollar from it except upon ample security, and all loans to them have been fully paid.

"The only loan to any member of the respective families of the officers named by you is one to Mrs. Emma A. Flather, wife of William J. Flather, as follows:

"\$4,506.25, dated April 3, 1914; secured by 50 shares Baltimore & Ohio Railroad stock; 12 shares-U. S. Steel pfd.; \$500 Metropolitan Club 4½ per cent bond; \$500 Metropolitan Club 4½ per cent bond (the latter having been added December 24, 1914), and 12 shares Firemen's Insurance Company stock, added October 26, 1914; the collateral at this time having a market value of \$5,890.

"This loan was made to Mrs. Flather upon her own collateral and for her sole benefit.

"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named; and we beg further to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank made for the benefit of either of the officers you name, or indorsed by any of them, or for which they furnished the whole or any portion of the collateral, or of which they received the whole or any portion of the proceeds.

"As the statement which you request would require an examination of all the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call for a special report, we decline to furnish it. And, moreover, if the information you seem to desire is at all material to the duties of your office, it can doubtless be furnished to you by your bank examiner, because during the recent examination of this bank by him and his assistants, extending from the 13th of November, 1914, to the 16th of January, 1915, they spent days going over our discount ledgers from the organization of the bank, and an inspection of those ledgers shows that the accounts of C. C. Glover, W. J. Flather, H. H. Flather, and M. E. Ailes were double checked. It is, therefore, certain that even if those accounts were not literally transcribed, they were, at least, thoroughly examined; and if they were not, our books are subject to your examiner's call at any time, and we will gladly submit to him.

"Inasmuch as we have stated that there are no loans, direct or indirect, in this bank to any of its officers named by you, and no loans for which they furnished the collateral or of which they received the proceeds, and that none of the officers named by you has borrowed, during the past 10 years, one dollar from this bank without ample

security, and that all loans made to them have been fully paid, we comply with so much of your letter as requires this answer to be made under the oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, jr."

The acting comptroller under date of February 11 reiterated this demand.

Again, under date of March 9, 1915, the comptroller called for certain reports concerning various of the items above mentioned, which report was complied with on March 13, 1915.

On March 30 the comptroller reiterated his call of January 22 and that of February 11 and stated as follows:

"You are now hereby notified that for your failure to make and transmit to this office within the time mentioned, or within five days after the expiration of said time, the special report or reports called for in the aforesaid letter of January 22, 1915, you are hereby assessed and directed to pay the penalty of \$100 per day for each day from February 8, 1915, to date—March 30, 1915—both dates inclusive, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes of the United States. Said penalties amount at this time to \$5,000, which sum you are hereby directed to pay at once into the Treasury of the United States under the provisions of the statutes above referred to.

"You are furthermore notified that continued failure on your part to furnish the reports called for in the letter from this office of January 22, 1915, will subject you to further and continuing penalties under the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

"The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring for your failure to furnish other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes of the United States."

On April 1 the plaintiff, denying the right to assess the penalty of \$5,000 and anticipating that the comptroller might request the Treasurer of the United States under section 5213 of the Revised Statutes to withhold payment of interest which would then become due to plaintiff, demanded payment of such interest, which was to fall due on April 1, and requested that in the alternative the Treasurer should not take any action in the matter without giving the bank an opportunity to be heard or take appropriate legal action.

On April 5, 1915, the comptroller began an inquiry in regard to a transaction in United States bonds concluded more than seven years prior thereto in which the bank received a large profit, which inquiry was not pertinent to the bank's then condition. Charging certain derelictions on the part of the officers of the bank, the comptroller directed that the facts of the above transaction be laid before the board of directors with the request that they acknowledge receipt of the comptroller's communication. In the same communication he notified the bank that in view of the conditions in the bank and of the unreliability of the statements of its officers and of the disregard of instructions from the comptroller's office, he would not until further notice approve of it as a depository of reserves of other national banks. His intention is not based on any bona fide exercise of discretion but is due to personal animosity and a desire to injure the plaintiff, and if acted upon would result in great damage to the bank.

Demand was made on March 30 for payment of the penalty of \$5,000 assessed.

There are numerous grounds stated as reasons why the bill should be dismissed. In some of them all three defendants join; others are made separately.

The Secretary of the Treasury states as one ground of his motion that he has no power with regard to the assessment of penalties; as another, that he has no authority in regard to the approval of depository banks in reserve cities; and as another ground, that the bill does not show that he has usurped any of the functions of the Treasurer of the United States.

The Treasurer states separately as a ground for dismissal that his acts sought to be enjoined are prescribed by law.

The Secretary of the Treasury and the comptroller join in stating as grounds for dismissal that as to the threatened refusal to approve of the plaintiff bank as a depository of funds the suit is prematurely begun, as the comptroller has not acted or been called upon to act in the matter, and that the court has no power to review the exercise of the comptroller's discretion in regard to reserve banks; that as to the assessment of penalties hereafter for alleged defaults the comptroller has declared his intention not to assess and waived further answer, and as to other threatened injury the bill does not show a foundation for relief.

The three defendants state as grounds for dismissal that the suit so far as the assessed penalty is concerned involves property of the United States; that the plaintiff has

an adequate remedy at law, and that the comptroller acted within his powers in assessing the penalty of \$5,000, and that therefore the court has no jurisdiction to review his act.

Before considering the facts with reference to the charges made against the Secretary of the Treasury and the Comptroller of the Currency three of the grounds of the motion to dismiss should be considered, namely, that as to the \$5,000 penalty, this is a suit against the United States, which has not consented to be sued; another is that based on the contention that the comptroller has waived the assessment of penalties for certain defaults and therefore has left nothing for the court to consider; and the third is, that there is an adequate remedy at law.

Is this a suit against the United States so far as the \$5,000 assessed as a penalty is concerned?

Section 5159 of the Revised Statutes provides that associations before beginning business "shall transfer to the Treasurer of the United States any United States registered bonds bearing interest. * * * Such bonds shall be received by the Treasurer on deposit and shall by him be safely kept in his office until they shall be otherwise disposed of in pursuance of the provisions of this act."

These bonds may be returned upon the return by the bank to the comptroller of its circulating notes in a certain proportion. (Rev. Stat., sec. 5160.) All transfers of bonds must be made to the Treasurer "in trust for the association" and a receipt be given "by the comptroller * * * stating that the bond is held in trust for the association * * * and as security for the redemption and payment of any circulating notes that have been or may be delivered to the association. No assignment or transfer of any such bond by the Treasurer shall be deemed valid unless countersigned by the comptroller." (Rev. Stat., sec. 5162.)

Section 5167 provides in part as follows: "The bonds transferred to and deposited with the Treasurer of the United States by any association for the security of its circulating notes shall be held exclusively for that purpose until such notes are redeemed, except as provided in this title. The Comptroller of the Currency shall give to any such association powers of attorney to receive and appropriate to its own use the interest on the bonds which it has so transferred to the Treasurer; but such powers shall become inoperative whenever such association fails to redeem its circulating notes."

It is obvious from the reading of the above provisions that it was intended that interest on bonds deposited should be security for redemption purposes. There is no express provision that the power of attorney to collect interest shall become inoperative when the Treasurer undertakes to collect a penalty out of interest, but such would seem to be the necessary inference. Section 5213, which is the one under which arises the question here presented, provides that the amount of the penalty assessed in pursuance of its provisions may be retained by the Treasurer upon the order of the comptroller out of interest on bonds deposited as it becomes due. Section 5215 provides that on failure of a bank to make a return of its notes in circulation, deposits and capital, it may be penalized and that the amount of the penalty may be collected by the Treasurer out of interest on bonds; and section 5216 provides that the amount of said taxes when not paid by the bank may be reserved by the Treasurer out of interest. When there is a default in redemption of any of the notes of the bank, the bonds are forfeited to the United States (Rev. Stat., sec. 5229), but when the comptroller claims that there is a default and begins proceedings looking to a forfeiture, the bank may take the matter into court for judicial determination. There is no provision in the national bank act permitting a suit to determine the right to collect penalties out of interest, but these penalties can be recovered by action as in other cases. In the former case, the forfeiture is for the purpose of enabling the United States to reimburse itself for redemption of notes of the bank, but in the latter case the money forfeited becomes the absolute property of the United States, and it is that claim asserted in the name of the United States in its own right which it is here contended can not be passed upon because the United States has not consented to be sued in regard to it in a court of equity.

The claim of the bank that payment of interest on bonds involves ordinarily the performance of a mere ministerial duty and therefore one the performance of which can be compelled by mandamus is upheld by the principle upon which *Kendall v. Stokes* (12 Pet., 524); *Parish v. McVeagh* (214 U. S., 134), and *Cortelyou v. The United States ex rel. Thorpe* (32 App. D. C., 20), were decided. Congress has appropriated money for the payment of the interest and admittedly interest on the bonds of the plaintiff was due on April 1, 1915, so this is not a case in which as to the claim of the plaintiff for the payment of money it can be said that a proceeding against the secretary to compel payment by mandamus would be in effect a proceeding against the United States. After the order was given by the Comptroller of the Currency, to

the Treasurer to collect the penalty out of interest, the situation was substantially changed in part. If this suit had not been brought to restrain his action the Treasurer would have had another ministerial duty to perform, but it would have been owed to the United States; namely, to cover the money into the Treasury, as it is not for the Treasurer to inquire whether the penalty was rightfully assessed. Pending this litigation, the Treasurer is merely a stakeholder. If the comptroller is wrong, the money must be paid to the plaintiff, but if the comptroller is right, the money must still be paid to the plaintiff, formally of course and by a mere bookkeeping entry, and when so paid, the penalty is collected from it by making another bookkeeping entry. It can not be successfully maintained that there would not be at some moment a payment of interest if the penalty should be collected; otherwise, the United States would always stand on its own books as a debtor to the plaintiff. The situation is analogous to that which was shown in *Rolston v. Missouri Fund Commissioners* (120 U. S., 390). The facts are stated by the court at great length, but for the present purpose a short quotation from the opinion will be sufficient. At page 392 the court said: "This was a suit in equity brought by the plaintiffs" (naming them) "trustees in a mortgage made by the Hannibal & St. Joseph Railroad Co., a Missouri corporation, to restrain the executive officers of Missouri from selling the mortgaged property under prior statutory mortgages in favor of the State, on the ground that the liability for which the earlier liens were created had been satisfied, and that they, as trustees, were entitled to an assignment of those liens."

The court says further at page 411: "It is next contended that this suit can not be maintained because it is in its effect a suit against the State, which is prohibited by the Eleventh Amendment of the Constitution of the United States, and *Louisiana v. Jumel* (107 U. S., 711), is cited in support of this position. But this case is entirely different from that. There the effort was to compel a State officer to do what a statute prohibited him from doing. Here the suit is to get a State officer to do what a statute requires of him. The litigation is with the officer, not the State. The law makes it his duty to assign the liens in question to the trustees when they make a certain payment. The trustees claim they have made this payment. The officers say they have not, and there is no controversy about his duty if they have. The only inquiry is, therefore, as to the fact of a payment according to the requirements of the law. If it has been made, the trustees are entitled to their decree. If it has not, a decree in their favor, as the case now stands, must be denied; but as the parties are all before the court, and the suit is in equity, it may be retained so as to determine what the trustees must do in order to fulfill the law, and under what circumstances the governor can be compelled to execute the assignment which has been provided for."

See, also, *Board of Liquidation et al. v. McComb* (92 U. S., 531). There is a clear distinction between the present case and *State of Mississippi v. Durham, Comptroller of the Treasury* (4 Mackay, 235), for in that case there was no indebtedness to the plaintiff such as there is here, but the claim was for certain moneys received from sales of public lands which the plaintiff said it was entitled to under an act of Congress. The defendants refused to pay the claim because of a ruling of an auditor of the Treasury Department to the effect that there was a counterclaim in favor of the United States against the plaintiff. The court said that the payment of the claim of the plaintiff did not involve a mere ministerial duty but that the determination of that matter involved the exercise of judgment and discretion, and though the invalidity of the alleged counterclaim was admitted by the defendant the court refused to decide whether the defendant should pay plaintiff's claim.

The right of the court in the present case to inquire into the soundness of the contention of the comptroller that the penalty was rightfully assessed is fully established in *Philadelphia Co. v. Stimson* (223 U. S., 605), in which case it was held that if the conduct of an officer of the Government constitutes an unwarrantable interference with property of the plaintiff the recourse of the latter to equity for protection is not to be defeated on the ground that the suit is one against the United States; that the exemption of the United States from suit does not protect its officers from personal liability to persons whose rights of property they have wrongfully invaded, and that in case of an injury threatened by his illegal action the officer can not claim immunity from injunction process. The question is for the court to determine when it is claimed that an officer has acted in excess of his authority or under an authority not validly conferred. To the same effect are *Noble v. Union River Logging Co.* (147 U. S., 165); *Lane v. Watts* (234 U. S., 525) and numerous other cases, and while in those cases relief was sought against the officer whose act was questioned whereas here the comptroller has nothing to do with the payment of the \$5,000 to the plaintiff, still the validity of his act in assessing the penalty may be inquired into and if found to be unwarranted by law the payment of the amount to the plaintiff can be directed as the officer withholding the payment does so because of the assessment. See *Butter-*

worth v. Hoe (112 U. S., 50), holding that the Commissioner of Patents might be compelled to issue letters patent which he was withholding only because the Secretary of the Interior claimed the right to review his decision that the letters should issue, which claim of the Secretary the court said was without foundation.

It is true that there is here no direct interference with tangible property as in *Philadelphia Co. v. Stimpson*; *Noble v. Union River Logging Co.*, and *Lane v. Watts*, cited above, but there is no difference in substance, for as pointed out above, the interest due the plaintiff is in form to be paid. It is then to be taken to pay the penalty. This taking can be enjoined if the penalty was wrongfully assessed. It would be different if the plaintiff were claiming property of the Government. See *Washington Steel & Ordnance Co. v. Martin* (44 Wash. L. Rep., 53).

The suit then does not affect property of the United States in the sense in which that phrase is used in the cases, but is rather for the purpose of preventing the assertion in the name of the United States of a claim against money which Congress has appropriated for a debt admittedly due the plaintiff, and which must in contemplation of law be paid before the penalty can be collected from it.

In the affidavit filed by the comptroller in opposition to the motion for a preliminary injunction appears the following:

"Inasmuch as the plaintiff did ultimately file reports to all the calls (although at times incomplete and evasive), except that of January 22, 1915, aforesaid, exercising my discretion as Comptroller of the Currency, I have no intention of assessing or undertaking to collect any penalty on such calls, notwithstanding the fact that some of said reports were not filed within the time prescribed by law, and I hereby waive the right to assess any penalty on such calls other than said penalty of \$5,000.

"I admit that the Treasurer of the United States still retains said sum of \$5,000 interest which on April 1, 1915, became due from the United States on \$1,000,000 of United States bonds. I deny that said detention is unlawful and aver that it is in strict accordance with law."

It is contended that by this disclaimer the comptroller has removed from the case all basis for a claim to relief against the assessment of penalties in the future because of past delinquencies of the plaintiff.

The plaintiff says that this contention is one that should be raised as a matter of defense and is not to be considered in testing the sufficiency of the bill. This contention was raised in *Delevan v. New York, New Haven & Hartford Railroad Co.*, (216 N. Y., 359), in the Court of Appeals of New York, which stated that as a rule of pleading the contention was doubtless sound, but when the question presented upon appeal had by lapse of time and the changed course of events become academic merely, the court would ordinarily refuse to decide the abstract question and would dismiss the appeal. The Supreme Court of the United States has on numerous occasions dismissed writs of error on representations made to it showing that the controversy no longer existed. *Little v. Bowers* (134 U. S., 547); *Singer Manufacturing Co. v. Wright* (141 U. S., 696); *California v. San Pablo Railroad Co.* (149 U. S., 308); and other cases cited in *United States v. Hamburg-Amerikanische Packetfahrt-Actien Gesellschaft et al.* (239 U. S., 466). There would seem to be no reason why the question can not be raised before an answer is filed.

The question must be considered with reference to those demands, the responses to which the comptroller now says are satisfactory to him though made too late, and with reference to the demand for failure to comply with which he assessed penalties aggregating \$5,000. In regard to the former the question is whether the comptroller, who at the time of the filing of the bill was apparently dissatisfied with the reports received, may now and conclusively for all purposes express his satisfaction; further, whether still stating that such reports were received too late he may conclusively estop himself or any successor in office from the assessment of penalties by a waiver. As to the latter, the question is whether the comptroller can, while an attempt is being made to collect penalties for a default which still continues, estop himself or any successor in office from assessing further penalties. If he can estop himself in either instance, then the further question is presented whether it is a moot question which the court is called upon to decide, or at least whether in the exercise of its discretion the court may determine not to exercise its extraordinary equitable powers because there is no longer reason to fear the doing of the acts complained of.

The purpose of the act giving the comptroller power to call for special reports is obvious. Supervision over national banks is vested in him. In order that he may perform his duties he is given authority by the section here under consideration to call for special reports when in his judgment they are necessary to a full and complete knowledge of the condition of the bank. He alone having power to act, and therefore being the only one for whose benefit information is necessary, is the only one to determine that question and also whether his call for a special report has been complied

with. There can be no doubt, then, of his right to say that the plaintiff has given him the information desired, nor that having so announced to the plaintiff the liability of the latter to penalties ceased as of the respective times when the reports were received.

A more difficult question to decide is whether when a report satisfactory as to its contents has been furnished after the time within which it should have been made the comptroller may effectually waive the right to assess a penalty for the default. A careful search has not disclosed any case in which the question has been determined. This is not to be wondered at, for it is difficult to see how such a question could be raised except as it is raised here, otherwise perhaps than in proceedings based on a charge of malfeasance, as there would seem to be no one authorized to institute mandamus proceedings to compel the assessment of such a penalty. It may be surmised perhaps that in very many instances it has occurred that an administrative officer knowing of the technical right to sue for a penalty has failed to take any steps to have the right enforced because upon consideration of all the circumstances of the case he has determined that it would be unfair to exact the penalty, and the court may take judicial notice of the practice of instituting actions for the purpose of testing the right to impose a penalty, picking out a single violation and ignoring others, and then if the law is upheld, enforcing it as to subsequent offenses but disregarding past offenses except the one sued on. (See *Louisville & Nashville R. Co. v. Stiles*, 156 Fed. Rep. 176, 193.) But these considerations do not determine the point involved here. Keeping in mind that the purpose of the penalties in question is not punishment for the doing of any act forbidden by statute or of any act inherently wrong, but that they are intended to constrain the giving of information to an officer of the Government to aid him in the performance of his duties, certainly it would not be against public policy to permit him, after having received the necessary information, though too late, to determine that no penalty should be assessed in view of all the circumstances of the case. For instance, if through some cause over which it had no control a bank should fail to comply in time with a demand for one of the five regular reports it would be unfair certainly to make it obligatory on the comptroller to assess a penalty, and it is thought that his attempt to do so under such circumstances might be enjoined, as intimated in *Missouri Pacific Railroad Co. v. Omaha* (235 U. S., 121). In that case the facts were that a municipal ordinance required the building of a viaduct by the plaintiff and that the work should be commenced within 30 days after the passage of the ordinance and penalties for delay were provided. Litigation ensued over the right to require the building of the aqueduct, and upon the argument in the Supreme Court, it was contended among other things that the plaintiff could not possibly begin the erection of the work within 30 days; but the court said:

"The last objection is that the railroad company was required to begin construction within 26 days after the passing of the ordinance, a time so short as to render it physically impossible to comply with the ordinance, and that upon lack of such compliance, the ordinance imposed penalties upon the railroad company, the collection of which penalties it is also sought to enjoin. It is to be noted that the enforcement of this ordinance has been entirely prevented by the injunction issued in this case, and kept in force since, and we have no doubt that should an attempt be made hereafter to require compliance with the terms of the ordinance as to the beginning of construction, they would be given a reasonable interpretation so as to permit of preparation before the beginning of the work, and if any oppression should result in this respect, there is no doubt as to the power of a court of equity to relieve the railroad company from the infliction of unwarranted penalties if it should turn out to be physically impossible, as the company insists, to comply with the ordinance in this respect."

If then a court of equity would interfere to prevent an unreasonable exaction of penalties it would seem to follow that an officer having power to assess penalties should have the power to act equitably of his own volition. That it is not incumbent upon the comptroller to assess a penalty whenever it is in his power to do so may fairly be inferred from a statement by the Supreme Court in its opinion in *Cochran v. United States* (157 U. S., 286), where the court was considering an indictment for a false statement made in one of the five regular reports required of banks. The court said:

"If such report were not properly verified and attested it would doubtless be competent for the Comptroller of the Currency, to reject it or to proceed against the association under section 5213 for failure to make and transmit a proper report" (p. 289).

In other words, it would be proper for him, it seems, to give the bank an opportunity to send in a proper report rather than to proceed under section 5213, which is the one providing for penalties. *Olp v. Leddiek* (14 N. Y. Supp., 41), points to that conclusion. That was an action brought under a New York statute known as the "tax-payers' act" for the purpose of restraining the settlement by two of the defendants who were overseers of the poor of certain actions brought to recover penalties of another

defendant who had violated the excise laws. The complaint in the action to recover the penalties contained 100 separate counts or causes of action on which judgment for \$5,000 was demanded. Negotiations for a settlement of this action resulted in an agreement to pay a \$50 penalty and \$100 costs. The defendant charged with violation of the law was financially responsible. The complaint in the action seeking to restrain such settlement was dismissed upon the merits, the court stating one reason for the dismissal as follows:

"But there is an additional ground upon which the decision of the learned justice at special term may be sustained; namely, that an overseer of the poor may settle and discontinue an action, whether brought by himself or his predecessors, when honestly made, as was done in this case. *Hellinger v. Birge* (7 N. Y. Supp., 695, and 8 N. Y. Supp., 171); *People v. Leonard* (74 N. Y., 443). The evidence and the findings show that the settlement of these actions was honestly made in furtherance of a general public opinion expressed through the board of supervisors and otherwise, and upon terms which were fair and reasonable."

In view of the fact that the matter of special reports to the comptroller is one of administration to be acted upon by him in the exercise of a broad discretion after a consideration of all the facts, and as any question in regard to the sufficiency of special reports is exclusively for his determination, and as an effort made by a bank, to comply in good faith with a request for a report may fail through a misunderstanding or for some cause not within the control of a bank, it must be held that the comptroller acts within the powers conferred on him if upon a review of the entire situation he determines that penalties should not be assessed in any particular case, provided that he is not insisting upon the validity of an assessment made for a given default, which default still continues, to which situation the reasoning above would not apply. But to hold that an administrative officer may refrain from undertaking to collect penalties in a case like the present one; that he can not be compelled to do so and that he would not be guilty of malfeasance in office for his failure to endeavor to collect, does not lead to the conclusion that he may by a mere waiver, which is not part of a compromise, conclusively estop himself from endeavoring to enforce a penalty, so it remains to consider whether the court should pass upon the question of liability to pay a penalty for a default which no longer entails liability for accumulating penalties or which can not lead to numerous actions at law.

If the conclusion above stated is sound, the comptroller has not brought himself within the principle of those cases which hold that when a question has become moot the court will not decide it, a principle most recently announced by the Supreme Court of the United States in *United States v. Hamburg-Amerikanische Packetfahrt Actien Gesellschaft et al.*, supra, in which case the court took judicial notice of the European war and held that the existence of it removed all question from the case, the contracts involved being between corporations of two of the opposing belligerents, and therefore decided that it was without authority to pass upon the case; nor within the decision of *Behn v. Young* (21 Ga., 207), to the effect that where a defendant comes into court offering to do all that the plaintiff can equitably require of him, no injunction will issue. When the bill was filed the comptroller claimed that the liability to penalties was continuing and the penalties accumulating and the case presented is one for the exercise of the court's discretion under all the circumstances. In *Piano Workers v. P. & O. Supply Co.* (124 Ill., App., 353), it was held to be within the discretion of the court to issue a permanent injunction or not where differences between employers and employees resulting in a strike had been composed after the issuance of an interlocutory injunction but before final hearing. *Reynolds v. Everett* (114 N. Y., 189), was also a case of difficulties between employers and employees and the strike having ceased before the trial it was held that the court below was warranted in dismissing the complaint on that ground. In *General Electric Co. v. New England Electric Co.* (123 Fed., 310), it was held that a court of equity was without jurisdiction in a suit for infringement of patent where the defendant on learning of the infringement and before the commencement of the suit finally and in good faith abandoned the manufacture and sale of the infringing articles and was not threatening further infringement when the suit was filed. In *Cayuta Wheel & Foundry Co. v. Kennedy Valve Manufacturing Co.* (127 Fed., 355), which was also a suit to enjoin infringement of a patent, the defendant denied that there was any infringement on his part and did not in anyway set up that further infringement was not intended, so the court proceeded to an adjudication in favor of the plaintiff. In *Odell v. Stout* (22 Fed., 159), the court said at page 169:

"It is true, as urged by counsel for complainants, that it has been held that stopping infringement will not prevent an injunction. But the cases have been where the manufacture was stopped at or after the bringing of the suit, or the indications were that the defendants, having once been wrongdoers, were likely to be so again as

soon as released from court. If a defendant has, before suit brought, abandoned the manufacture and sale of the infringing machine, and the court is satisfied that the abandonment was in good faith and final the injunction ought to be refused, upon the principles of equity applicable to injunction. However, as we find that the defendants in this case are infringers, we think it well to retain the whole case under our control, and the injunction and order for an account may be made to apply to the manufacture and sale of both mills."

In *Roberts v. City of Louisville* (17 S. W. (Ky.), 206), which was a suit instituted to enjoin the passage of an ordinance, the answer stated that the ordinance had been withdrawn after the commencement of the suit and was not before the council when the trial was had, but the court said that as the plaintiffs had a cause of action, withdrawal of the ordinance did not have the effect to defeat their right to the relief sought, especially as another ordinance of the same character might thereafter be introduced and passed, unless the right to do so be perpetually enjoined. *McFarland v. Linderkugel* (107 Wis., 474), was a suit in equity to compel the removal of fences maintained by the defendant across a street passing the plaintiff's premises and to perpetually enjoin their maintenance. The suggestion was made by the defendant's counsel after the suit was commenced and before trial that the defendant had removed the fences, but the court held that this could not affect the plaintiff's right to a judgment as the defendant might again insist upon the right to replace and maintain the obstruction.

In patent cases it is also held that a suit will be retained for an accounting or an award of damages where there can not be an injunction, the patent having expired pending suit. See *Clarke v. Worcester* (119 U. S., 322), *Biddle v. Bennett* (122 U. S., 71).

In view of the above authorities and others that might be cited, and without questioning the good faith of the comptroller, it seems that the proper exercise of the discretion of the court requires an adjudication upon the right of the comptroller to now assess penalties, although by his expressed satisfaction with the contents of the reports received he has removed from the case so far as those reports are concerned the situation existing when the bill was filed; namely, the claim that penalties were running and accumulating.

The plaintiff contends that if the demand of the comptroller for the report, the failure to furnish which led to the assessment of penalties amounting to \$5,000, was not lawfully made, but which was at the commencement of the action being insisted upon, there was then presented a case of which a court of equity should take jurisdiction because the penalties were accumulating from day to day and because the defendant was threatening to order the collection from time to time of the penalties as interest became payable on the plaintiff's bonds. On the other hand, the defendants say that the comptroller having assessed a penalty of \$5,000 his power to assess has ceased and that no additional penalty can be imposed or collected. The statute says that the bank is "subject to a penalty of one hundred dollars for each day" that it delays to make the report, and that "Whenever any association delays or refuses to pay the penalty herein imposed after it has been assessed by the Comptroller of the Currency, the amount thereof may be retained. * * *"

To place the defendant's construction on the section would defeat the purpose of the statute, which is to constrain the giving of the necessary information. If an assessment while the default of the bank continues exhausts the comptroller's power, then there is no further constraint on the bank to furnish the report; and, on the other hand, if only one assessment is contemplated and liability for continuing penalties is to be incentive to make the report a continued refusal of the bank to comply with the comptroller's request would result in no assessment at all. It seems that a proper construction of the statute is that it was intended to provide for as many penalties as there are days of default, and therefore that if the report was rightfully demanded a separate action might be maintained for each day's penalty, or the accumulated penalties upon any day when interest falls due on the plaintiff's bond might be collected therefrom. It is thought that the situation so presented is one in which a court of equity will take jurisdiction.

In *Philadelphia Co. v. Stimson* (223 U. S., 605), Mr. Justice Hughes, writing for the court, says at page 620:

"A court of equity, said this court in *In re Sawyer* (124 U. S., 200, 210), 'has no jurisdiction over the prosecution, the punishment or the pardon of crimes or misdemeanors. * * * To assume such a jurisdiction, or to sustain a bill in equity to restrain or relieve against proceedings for the punishment of offenses * * * is to invade the domain of the courts of common law, or of the executive and administrative department of the Government.' *Harkrader v. Wadley*, (172 U. S., 148, 170); *Fitts v. McGhee* (172 U. S., 516, 531; 2 Story's Eq. Jur., sec. 893). But a dis-

tion obtains when it is found to be essential to the protection of the property rights, as to which the jurisdiction of a court of equity has been invoked, that it should restrain the defendant from instituting criminal actions involving the same legal questions. This is illustrated in the decisions of this court in which officers have been enjoined from bringing criminal proceedings to compel obedience to unconstitutional requirements. *Davis & Farnum Mfg. Co. v. Los Angeles* (189 U. S., 207, 217, 218); *Dobbins v. Los Angeles* (195 U. S., 223, 241; *Ex parte Young* 209 U. S., 123, 161, 162); *Western Union Telegraph Co. v. Andrews* (216 U. S., 165). In this, there is no attempt to restrain a court from trying persons charged with crime, or the grand jury from the exercise of its functions, but the injunction binds the defendant not to resort to criminal procedure to enforce illegal demands."

The court in that case said as already stated above that a Federal officer acting in excess of his authority was in the same position as a State officer seeking to enforce unconstitutional enactments. In *Ex parte Young* (209 U. S., 123, 160), the court said that it would be an injury to complainant to harass it with a multiplicity of actions in an endeavor to enforce penalties under an unconstitutional enactment and to prevent it ought to be within the jurisdiction of a court of equity.

On the authority of these cases it must be held here that equity has jurisdiction because it is alleged that property rights are being threatened by reason of acts of a Federal officer claimed to be unlawful, which, if not restrained, will lead to a multiplicity of actions.

It remains to consider whether the facts alleged make out a cause of action.

The defendant McAdoo and the defendant Williams are charged with conspiring to ruin the plaintiff's business. Each is sued in his official capacity and every act charged is alleged to have been done or threatened to have been done in violation of the duty imposed by the office, except the act of the defendant McAdoo in inducing the Secretary of War to remove Panama Canal funds from the bank and the act of the defendant Williams in causing the removal of Red Cross funds.

It is sometimes said that a conspiracy will be enjoined. Such statements are generally made in passing upon cases involving a secondary boycott, but such a boycott is itself a threat made by several acting together and what therefore is really enjoined in those cases is the making of threats. The Court said in *Swift & Co. v. The United States* (196 U. S., 375); that it could not issue a general injunction against all possible breaches of the law and that the injunction in that case ought to set forth more exactly the transactions in which certain directions and agreements were to be forbidden; and finally at page 402:

"It only remains to add that the foregoing question does not apply to the earlier sections which charge direct restraints of trade within the decisions of the court, and that the criticism of the decree as if it ran generally against combinations in restraint of trade or to monopolize trade ceases to have any force when the clause 'against any other method or device' is stricken out. So modified, it restrains such combinations only to the extent of certain specified devices which the defendants are alleged to have used and intend to continue to use."

Where the efficacy in combining consists of each conspirator doing a several part and it is planned to operate thus singly, an indictable conspiracy exists under some circumstances though no one thing proposed to be done would be ground for an indictment even if it were actually accomplished by one of the conspirators alone. *Bishops New Criminal Law*, vol. 2, sec. 185. And in such a situation the doing of any of the acts complained of could be restrained by injunction, but where the act complained of is absolutely privileged and therefore beyond the reach of injunctive process an arrangement to do that act simultaneously with the doing of acts by others as part of an alleged scheme can not be considered as an overt act done in pursuance of an actionable conspiracy for the same reason that where an overt act is privileged a conspiracy to do it is not a ground for the recovery of damages in an action on the case. *Nalle v. Oyster* (230 U. S., 165). If this conclusion is sound it follows that the bill does not show any reason for joining the Secretary of the Treasury as a defendant, leaving out of consideration for the present the question whether he has a mere ministerial duty to perform in regard to the interest withheld in the event that the comptroller's assessment of penalties is not valid, for the reason that the Secretary of the Treasury owes no duty to the plaintiff bank in regard to the deposit of public funds. There is no requirement of law that they shall be deposited anywhere out of the Treasury of the United States, nor that when they are deposited in banks they shall remain there for any given length of time. The matter is within the uncontrollable judgment of the Secretary, and even though he should threaten to withdraw deposits with the hope and belief that doing so would injure a bank, no court could legally restrain him.

The only other allegations in the bill relating to an official act of the Secretary of the Treasury are those in regard to the failure to pay the interest due on the plaintiff's bonds. This alleged failure to act can not be controlled by the court because it is alleged to be the carrying out of a conspiracy, for the reason that the Secretary in refusing to pay, if as a matter of fact he is refusing, is not thereby failing to perform a mere ministerial duty. He had nothing to do and could have nothing to do with the assessment of the penalty for the payment of which the money is being retained. The statute provides that where there is such an assessment, money due for interest may be retained, but it does not give the Secretary any power to inquire into the propriety of the action of the comptroller in making the assessment. If the assessment be held to be void, then should the Secretary fail to pay the interest, if that be his ministerial duty, and not until then can he be compelled to act.

The plaintiff evidently relies on the case of *Allen v. Burrow* (69 Kans., 812) in joining two Government officials in this suit, but the facts in that case were entirely different. It was charged there by one of two persons claiming to be the regular nominee of a political party for a public office that a majority of the members of a board of three constituted by law for the purpose of determining who was the regular candidate had conspired with his opponent to prevent the placing of the plaintiff's name upon the official ballot as the regular candidate, having agreed that the plaintiff should be prevented from having his name placed thereon regardless of the merits of his contention to have it placed there, and having agreed with the defendant's opponent that if the latter should procure from a bolting and fraudulent assemblage of persons claiming to be the congressional convention of the district, a false, spurious, and fraudulent certificate of nomination and would file the same the two members of the board constituting a majority would recognize such certificate notwithstanding any objections thereto, and notwithstanding any proof of the fraudulent character of the assemblage which had pretended to authorize the execution thereof. The obvious difference between the two cases appears from this statement of *Allen v. Burrow* and is emphasized by the fact that the court there assumed jurisdiction of the particular contest, saying that in some way a decision must be made between the rival claimants.

The case will not be further distinguished here except by stating what seems to the court to be the rule applicable to the present case, namely, that where the act sought to be accomplished by an alleged conspiracy is not in itself an official act, and where the persons said to be endeavoring to accomplish the object of the alleged conspiracy are acting in an official capacity only, each one having official duties which he alone can perform, the performance of which is not under the control of the other, they should not be joined as officials in one action as conspirators. The law imposes upon them a duty to act. If they act within their powers their motives can not be questioned. If each is undertaking to act without authority he can be restrained in a separate suit and his motives make no difference, or as the court said in *Myles Salt Co. v. Board of Commissioners, etc.* (239 U. S., 478): "We are not dealing with motives alone, but as well with their resultant action."

The Secretary of the Treasury had no official duties to perform in regard to the deposits or withdrawals of Panama Canal funds alleged by the bill. They were in the control of the Secretary of War exclusively. Assuming but not deciding that an averment that "plaintiff believes and therefore avers" that the defendant McAdoo used his influence to bring about a withdrawal of these funds from the plaintiff bank is a sufficient averment of a fact in a pleading and that it is anything more than an allegation of a suspicion, it clearly could be considered only as evidence of malice, if at all, but standing alone it amounts to nothing, for there is no allegation that the Secretary of the Treasury made any false statements to the Secretary of War, nor is there anything to show that the latter acted without due consideration of all the facts, unless the allegations were intended as the foundation for an inference that the Secretary of War withdrew the Panama funds merely because the Secretary of the Treasury asked him to or joined in the alleged conspiracy, but such a claim would have to be explicitly stated in order to afford a basis for action by the court.

It is to be noted also as to there being allegations of facts sufficient to show a conspiracy so far as the Secretary of the Treasury is concerned that the bill states that the "withdrawals made by direction or through the influence of the defendant McAdoo, including the said Panama Canal deposits and the discriminatory withholding of District of Columbia tax deposits amounting in all to nearly \$2,500,000 occurred at a time when all the banks in the United States were making strenuous efforts to husband and protect their resources; the bonds by which said canal deposits were secured could only be marketed at private sale; the war in Europe had resulted in the closing of the public exchanges throughout the United States; prices of securities were at the lowest figure in many years; panic conditions existed; but, nevertheless,

the defendant, McAdoo, in the circumstances aforesaid, forced the withdrawal and withholding of the aforesaid sum of about \$2,500,000 in a deliberate attempt to wreck the plaintiff bank. * * *

The war in Europe began during the last week in July or the first week in August, 1914, of which fact the court may take judicial notice. The United States, Hamburg-Amerikanische Packetfahrt-Actien Gesellschaft et al., supra. The bill alleges that "it has been the custom of the Treasury Department to deposit for a limited period of time each year a sum of money approximately equal to the municipal taxes which are paid into the Federal Treasury annually in the month of May. * * * In the distribution of this public money for deposit in May, 1914, the defendant, McAdoo, arbitrarily wholly eliminated the plaintiff bank * * * and further that "Thereafter on July 1, 1914, the defendant, McAdoo, * * * discontinued plaintiff bank as a depository and plaintiff returned its balance of \$100,927.90 to the Treasury on the following day. * * *" and further that "Plaintiff believes and therefore avers that shortly after the defendant McAdoo threatened because of personal animus to commence reprisals against plaintiff bank, and threatened to discontinue plaintiff bank as a depository of United States funds, he succeeded by diligent personal efforts and influence in effecting the gradual but constant withdrawal of said Panama Canal deposits until there remains at this time a balance of only \$22,284.81 of said deposits, whereas at about the time he commenced to put in execution his aforesaid threat, namely, in the month of May, 1914, said Panama Canal deposits intrusted to the plaintiff bank amounted to \$1,158,479.51."

There is a complete failure to show that for the purpose of wrecking the plaintiff bank the defendant took advantage of conditions arising out of the war in Europe. In fact, the plaintiff's own specific allegations disprove the coincidence on which alone such a charge could be based.

The bill does not state facts sufficient to constitute a cause of action against the Secretary of the Treasury, as for a conspiracy or as to anything done or threatened by him, and it must be dismissed as to him unless he is a necessary party in order to give relief by way of directing a purely ministerial act, namely, the payment of interest withheld because of the penalty of \$5,000 assessed by the Comptroller of the Currency.

Has the Comptroller of the Currency assumed as a basis for his various acts a power which is not given him by the statutes? The answer to this question calls for a construction of sections 5211 and 5213 of the Revised Statutes and section 5212 also must be read to that end. The three sections are as follows:

"Sec. 5211. Every association shall make to the Comptroller of the Currency not less than five reports during each year, according to the form which may be prescribed by him, according to the form or affirmation of the president or cashier of such association, and attested by the signature of at least three of the directors. Each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the association at the close of business on any past day by him specified, and shall be transmitted to the comptroller within five days after the receipt of a request or requisition therefor from him, and in the same form in which it is made to the comptroller shall be published in a newspaper published in the place where such association is established, or if there is no newspaper in the place, then in the one published nearest thereto in the same county, at the expense of the association, and such proof of publication shall be furnished as may be required by the comptroller. The comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition.

"Sec. 5212. In addition to the reports required by the preceding section each association shall report to the Comptroller of the Currency, within 10 days after declaring any dividend, the amount of such dividend, and the amount of net earnings in excess of such dividend. Such report shall be attested by the oath of the president or cashier of the association.

"Sec. 5213. Every association which fails to make and transmit any report required under either of the two preceding sections shall be subject to a penalty of \$100 for each day after the periods, respectively, therein mentioned, that it delays to make and transmit its report. Whenever any association delays or refuses to pay the penalty herein imposed, after it has been assessed by the Comptroller of the Currency, the amount thereof may be retained by the Treasurer of the United States, upon the order of the Comptroller of the Currency, out of the interest, as it may become due to the association, on the bonds deposited with him to secure circulation. All sums of money collected for penalties under this section shall be paid into the Treasury of the United States."

The plaintiff contends that the words in section 5211 "whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition" mean that the comptroller may exercise his judgment as to the times when report shall be called for and that the law fixes the nature of the reports that may be demanded; that is, the law "provides that the report shall be one which gives him a full and complete knowledge of the bank's condition. It did not say of the bank's management; it did not say of the officers' misconduct; it did not say of the officers' past loans or the officers' family relations, because as to that section all such questions are wholly immaterial."

"No matter what the condition of the bank might have been 15 years ago, if it is bad now the comptroller ought to know it. No matter how good the condition of the bank has been or how bad at another time, that is not material to the duties of the comptroller's office under the section."

If the section is to be interpreted as meaning that "special" reports are special merely because they are demanded of a particular bank and in addition to the five reports required of all banks then all that could be asked of a bank would be only what it is required to furnish five times a year—namely, a detailed statement of resources and liabilities; but if such had been the intention of Congress why were the words "to a full and complete knowledge of its condition" inserted? If the five reports are reports of condition and the special reports are also, and limited as are the general reports to showing resources and liabilities, why "full and complete"? Something must have been intended by the use of those words. Was the intention merely that the comptroller might ask for further information in regard to the items in one of the regular reports? If so, that would be to limit him in the intervals between the dates for making general reports to an inquiry entirely futile perhaps to aid him in a present emergency. Again, if the report is special only by virtue of the fact that it is in addition to the five regular reports then it is to be a report in detail under appropriate headings of resources and liabilities, and it seems obvious that such a report might easily be insufficient for a "full and complete knowledge" of the condition of a bank. It seems clear that the five regular reports are intended to be uniform as nearly as may be for all banks, and that the special reports are to show what the comptroller may in his judgment think necessary to a full and complete knowledge of a bank's condition, whether any part of the report covers what was in the regular report or not, and that they are not to be confined to a mere statement of assets and liabilities as are the general reports.

Section 5240 of the Revised Statutes, prior to the passage of the Federal Reserve Act, provided that "The Comptroller of the Currency with the approval of the Secretary of the Treasury, shall as often as shall be deemed necessary or proper appoint a suitable person or persons to make an examination of the affairs of every banking association who shall have power to make a thorough examination into all the affairs of the association and in doing so to examine any of the officers and agents thereof on oath and shall make a full and detailed report of the condition of the association to the comptroller."

If, in the opinion of Congress, an examination of the "affairs" of an association is necessary to enable the examiner to make a "full and detailed report of the condition of the association" it seems reasonable to suppose that in giving the comptroller power to call for special reports when he thinks them necessary to a "full and complete" knowledge of its (the association's) "condition" Congress meant to give to the comptroller as broad powers at least as it gave to his subordinate, and that the reports to be made by the banks are in regard to their affairs just as the examination by an examiner is an inquiry into the affairs of a bank. The section now provides:

"The examiner making the examination of any national bank, or of any other member bank shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency."

Other provisions of the national bank act, except that they relate to the period before an association begins business, indicate as clearly perhaps as does section 5240 what scope of meaning Congress intended that the word "condition" should have.

No association can begin to do business without compliance with certain requirements and the Comptroller of the Currency is the officer who decides whether there has been compliance. Section 5133 of the Revised Statutes provides that the persons who desire to form an association under the act shall "enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed by the persons uniting to form the association, and a copy of

them shall be forwarded to the Comptroller of the Currency, to be filed and preserved in his office."

Section 5134 is as follows:

"The persons uniting to form such an association shall, under their hands, make an organization certificate, which shall specifically state:

"First. The name assumed by such association; which name shall be subject to the approval of the Comptroller of the Currency.

"Second. The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or District, and the particular county and city, town, or village.

"Third. The amount of capital stock and the number of shares into which the same is to be divided.

"Fourth. The names and places of residence of the shareholders and the number of shares held by each of them.

"Fifth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this title."

Section 5136 confers the corporate powers on the association, among them being:

"Fifth. To elect or appoint directors, and by its board of directors to appoint a president, vice president, cashier, and other officers, define their duties, require bonds of them, and fix the penalty thereof, dismiss such officers or any of them at pleasure and appoint others to fill their places.

"Sixth. To prescribe, by its board of directors, by-laws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

"Seventh. To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchanges, coin, and bullion; by loaning money on personal security, and by obtaining, issuing, and circulating notes according to the provisions of this title.

"But no association shall transact any business except such as is incidental and preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence the business of banking."

Section 5159 provides for a transfer to the Treasurer of the United States of United States bonds in certain amounts before an association may begin business. Section 5145 provides for the election of directors before an association shall begin business, and section 5146 specifies qualifications for directorship based on residence and ownership of shares of stock. Section 5147, which provides for the directors' oaths, reads:

"Each director, when appointed or elected, shall take oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association and will not knowingly violate, or willingly permit to be violated, any of the provisions of this title, and that he is the owner in good faith, and in his own right, of the number of shares of stock required by this title, subscribed by him, or standing in his name on the books of the association, and that the same is not hypothecated, or in any way pledged as security for any loan or debt. Such oath, subscribed by the director making it, and certified by the officer before whom it is taken, shall be immediately transmitted to the Comptroller of the Currency, and shall be filed and preserved in his office."

These provisions of the statutes set forth the substantial prerequisites to beginning business except an important one as to good faith mentioned in section 5169, *infra*, and make necessary an inquiry as to whether they have been complied with. They are quoted so much at length to make clear the scope of sections 5168 and 5169.

Sections 5168 and 5169 require the comptroller to make an investigation for the purpose of ascertaining whether an association is entitled to his certificate of authority to begin business. They are as follows:

"Sec. 5168. Whenever a certificate is transmitted to the Comptroller of the Currency as provided in this title, and the association transmitting the same notifies the comptroller that at least 50 per cent of its capital stock has been duly paid in, and that such association has complied with all the provisions of this title required to be complied with before an association shall be authorized to commence the business of banking, the comptroller shall examine into the condition of such association, ascertain especially the amount of money paid in on account of its capital, the name and place of residence of each of its directors, and the amount of the capital stock of which each is the owner in good faith, and generally whether such association has complied with all the provisions of this title required to entitle it to engage in the business of banking;

and shall cause to be made and attested by the oaths of a majority of the directors, and by the president or cashier of the association, a statement of all the facts necessary to enable the comptroller to determine whether the association is lawfully entitled to commence the business of banking."

"Sec. 5169. If, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it appears that such association is lawfully entitled to commence the business of banking, the comptroller shall give to such association a certificate under his hand and official seal, that such association has complied with all the provisions required to be complied with before commencing the business of banking, and that such association is authorized to commence such business. But the comptroller may withhold from an association his certificate authorizing the commencement of business whenever he has reason to suppose that the shareholders have formed the same for any other than the legitimate objects contemplated by this title."

If "condition" connotes resources and liabilities only why should the comptroller be directed by section 5168 to "ascertain especially the amount of money paid in on account of capital," as well as to examine into the condition of an association. It is clear either that "condition" in section 5168 means at least those things which the comptroller is thereby directed to ascertain especially and generally or that it is something entirely other and different, but to contend for the latter proposition would be absurd as no one would deny that condition is to be judged in part on a knowledge whether subscriptions to capital stock have been paid. In this section therefore "condition" is used so as to include many things besides mere resources and liabilities.

It is hardly necessary to analyze section 5169 in order to reach the conclusion that the word "condition" is there used as including more than mere resources and liabilities. The "facts so reported" include the fact of payments on stock subscriptions which at that time are an association's only asset, generally speaking, except of course the bonds which it is obliged to buy, and its liability to stockholders is the only liability, so "any other facts" which the comptroller or a commission appointed by him "for the purpose of inquiring into the condition" of an association is to endeavor to ascertain are facts indicating condition, but other than the condition as shown by resources and liabilities, and without endeavoring to determine what sorts of things "any other facts" might be supposed to show they are at least of a kind which may aid the comptroller to perform one of his duties prescribed by the section in the words already quoted; that is: * * * "But the comptroller may withhold from an association his certificate authorizing the commencement of business whenever he has reason to suppose that the shareholders have formed the same for any other than the legitimate objects contemplated by this title."

With the exception of section 5240, possibly the most suggestive provisions of the act in aid of an interpretation of section 5211 are those provisions of section 5169 (supra), for in it "condition" is practically defined so as to include every fact relating to a bank, including those showing an intention to use the association for "any other than the legitimate objects contemplated" by the act.

The provisions of section 3 of chapter 290, Act of July 12, 1882, 22 Stat. L., 162, lead to a similar conclusion. That section relates to the granting by the comptroller of permission to extend the period of the corporate existence of an association and provides as follows:

"That upon the receipt of the application and certificate of the association provided for in the preceding section, the Comptroller of the Currency shall cause a special examination to be made, at the expense of the association, to determine its condition; and if after such examination or otherwise it appears to him that said association is in a satisfactory condition, he shall grant his certificate of approval provided for in the preceding section, or if it appears that the condition of said association is not satisfactory, he shall withhold such certificate of approval."

Clearly the examination so prescribed is the same sort of examination and for the same purpose as that provided for in section 5169 of the Revised Statutes above quoted relating to the inquiry before granting permission to begin business.

Congress having in sections 5168 and 5169 used the word "condition" to indicate an inquiry of the broadest scope to be made by the comptroller, including the question of intention to carry out the legitimate objects contemplated by the act, before he shall authorize an association to begin business, and by the use of the same word indicated a similar inquiry to be made by him before granting leave to extend the period of corporate existence, to argue that the word "condition" has a narrower meaning in section 5211 is to contend that the comptroller is required to inform himself so that he may guess as to future management but can not obtain information as to actual management.

Section 333 of the Revised Statutes, by which the comptroller is required to make an annual report to Congress, contains a provision calling for "A statement exhibiting under appropriate heads the resources and liabilities and condition" of State banks, which further emphasizes the argument that Congress used the word "condition" to mean more than resources and liabilities. Again the provisions of this section requiring reports by the comptroller to Congress are very significant. Two of them call for—

"First. A summary of the state and condition of every association from which reports have been received the preceding year, at the several dates to which such reports refer, with an abstract of the whole amount of banking capital returned by them, of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of lawful money held by them at the times of their several returns, and such other information in relation to such associations as, in his judgment, may be useful."

"Third. Any amendment to the laws relative to banking by which the system may be improved, and the security of the holders of its notes and other creditors may be increased."

An examination of the original national bank act and of the subsequent legislation in regard to banks discloses the fact that the word "condition" was used several times in those acts, and the various changes in the language used which calls for the making of reports, throw some light on the question now under consideration.

Section 24 of the act of 1863, being the original act, provides for quarterly reports to be made to the comptroller, which reports are to be verified by the president and cashier. The section reads in part as follows:

"The report hereby required shall be in the form prescribed by the comptroller and shall contain a true statement of the condition of the association making such report before the transaction of any business on the morning of the day specified next preceding the date of such report in respect to the following items and particulars, to wit: Loans and discounts, overdrafts due from banks, amount due from the directors of the association, real estate, specie, cash items, stocks, bonds and promissory notes, bills of solvent banks, bills of suspended banks, loss and expense, account, capital, circulation, profits, amount due to banks, amount due to individuals and corporations other than banks, amount due to the Treasurer of the United States, amount due to depositors on demand, amount due not included under either of the above headings."

The section then provided that the comptroller should publish abstracts of these reports and that in addition to such quarterly reports the associations doing business in certain cities should "publish or cause to be published on the morning of the first Tuesday in each month, in a newspaper printed in the city in which the association making such report is located, to be designated by the Comptroller of the Currency, a statement under the oath of the president or cashier showing the condition of the association making such statement on the morning of the day next preceding the date of such statement in respect to the following items and particulars, to wit: Average amount of loans and discounts, specie, deposits, and circulation."

Section 34 of the act of June 3, 1864, provided for quarterly reports verified by the president or cashier which should "exhibit in detail and under appropriate headings the resources and liabilities" of the association, and that:

"In addition to the quarterly reports required by this section, every association shall, on the first Tuesday of each month, make to the Comptroller of the Currency a statement, under the oath of the president or cashier, showing the condition of the association making such statement, on the morning of the day next preceding the date of such statement, in respect to the following items and particulars, to wit: Average amounts of loans and discounts, specie, and other lawful money belonging to the association, deposits, and circulation. And associations in other places than those cities named in the thirty-first section of this act shall also return the amount due them available for the redemption of their circulation."

By section 1 of the act of March 3, 1869, it is provided among other things "that in lieu of all reports required by section 34 of the national currency act every association shall make to the Comptroller of the Currency not less than five reports during each and every year according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association and attested by the signature of at least three of the directors, which report shall exhibit in detail and under appropriate heads the resources and liabilities of the association at the close of business on any past day to be by him specified," and then provides for transmission of the reports to the comptroller and their publication in the newspapers, and further:

"And the comptroller shall have power to call for special reports from any particular association whenever in his judgment the same shall be necessary in order to a full and complete knowledge of its condition."

It was argued by counsel for the plaintiff that the five regular reports now provided for by section 5211 of the Revised Statutes are known throughout the business world as "reports of condition," and that therefore the word "condition" as used in section 5211 should be taken as meaning the condition in respect to resources and liabilities solely, but the original use of the word in section 24 of the Act of February 25, 1863, namely, "condition * * * in respect to the following items and particulars, to wit: loans and discounts," etc., permits a clear inference that Congress was merely calling for the reports as to certain items and particulars tending to show the condition of the bank, and not that the condition of the bank could be completely disclosed by a statement of those items and particulars, or by similar items and particulars, and the same inference may be drawn from a similar use of the word "condition" in that part of the section calling for reports from banks in certain specified cities; and when we come to section 34 of the act of June 3, 1864, we find the word "condition" omitted from the earlier part of that section and the items to be stated are not specified but the reports are required to show "the resources and liabilities" according to a form to be prescribed by the comptroller and under appropriate heads. But later in the same section as quoted above we again find the language "condition * * * in respect to the following items and particulars, to wit: average amount of loans, discounts," etc. In the act of March 3, 1869, as already stated, provision is made for a report of "resources and liabilities" and for the first time there occurs the provision authorizing the comptroller to call for special reports whenever in his judgment the same shall be necessary in order to a full and complete knowledge of the condition of the bank. A similar provision is the one under discussion in section 5211 of the Revised Statutes, and there is nothing to show that Congress intended to put any limitation on the meaning of the word "condition" by confining it to what may be shown by a statement of resources and liabilities or to indicate any change in the use of the word from that which as stated is clearly implied in the original act of 1863 or in the act of 1864. The right to resort to the previous legislation for interpretation is discussed elsewhere in this opinion.

Numerous other sections of that statute might be referred to as showing how large are the powers of the comptroller and how certain it is that Congress intended that national banking associations should be under the strictest supervision by him for the protection of creditors and stockholders and of the public generally. The statute thus construed makes lawful any inquiry by the comptroller for the purpose of obtaining information not only as to current items on the books of the bank, but also for the purpose of informing himself generally as to the management of the bank.

It is contended that the word "condition" must be given its ordinary meaning as defined by standard dictionaries, and that as so defined there it has not the meaning given to it by the comptroller. Dictionaries may be referred to for the purpose of aiding an interpretation, but they are an aid only, and the terms of a statute are to be interpreted with reference to the subject-matter of the legislation. Black on Interpretation of Laws, second edition, page 278. When words are used in the same connection in different parts of the statute they are ordinarily to be given the same meaning. However, taking the definitions of the word "condition" as found in the dictionaries, the construction of the act held above to be the proper one is in entire accord with those definitions. Webster, for instance, defines "condition" as "Mode or state of being; state or situation with regard to external circumstances or influences, or physical or mental integrity, health, strength, etc.; predicament." The Century Dictionary, among other definitions, gives the following: "The particular mode of being of a person or thing; situation, with reference either to internal or to external circumstances; existing state or case; plight; circumstances. A state or characteristic of the mind; * * *." The Standard Dictionary definition is: "The state or mode in which a person or thing exists; especially, the manner in which persons or things are situated in relation to their environment; * * * Any one of the circumstances by which an activity or a mode of existence is limited and modified."

The present case is one of first impression, so no case can be cited as controlling the conclusion to be reached, but some guidance is found in the decisions.

In *Guthrie v. Harkness* (199 U. S., 140), the court had under consideration the question of the common law right of a stockholder in a national bank to inspect its books. For the bank it was contended that the right was cut off by section 5241 of the Revised Statutes providing that "no association shall be subject to any visitatorial powers other than such as are authorized by this title or are vested in the courts of justice." The court held otherwise and in the course of its opinion said (p. 158):

"The right of visitation being a public right, existing in the State for the purpose of examining into the conduct of the corporation with a view to keeping it within its legal powers. Congress had in mind in passing this section that in other sections of the law it had made full and complete provision for investigation by the Com-

troller of the Currency and examiners appointed by him, and, authorizing the appointment of a receiver, to take possession of the business with a view to winding up the affairs of the bank. * * *

The court quotes apparently with approval two definitions of the word "visitation," one from *First National Bank of Youngstown v. Hughes* (6 Fed., Rep. 737, as follows:)

"Visitation, in law, is the act of a superior or superintending officer, who visits a corporation to examine into its manner of conducting business, and enforces an observance of its laws and regulations. Burrill defines the word to mean 'inspection; superintendence; direction; regulation.'" The other, from *Merrill on Corporations*:

"Visitors of corporations have power to keep them within the legitimate sphere of their operations, and to correct all abuses of authority, and to nullify all irregular proceedings. In America there are very few corporations which have private visitors, and in the absence of such, the State is the visitor of all corporations."

In *United States v. Corbett* (215 U. S., 233), the court had under consideration a demurrer to an indictment for a violation of section 5209 by making a false statement in one of the regular reports called for by section 5211, and a contention was that the comptroller was not an "agent appointed to examine the affairs" of a bank. The court says at page 240:

"The authority conferred by this section upon the comptroller is but one among the comprehensive powers with which he is endowed by the statute for the purpose of examining and supervising the operations of national banks, preventing and detecting violations of law on their part, appointing receivers in case of necessity, etc. From the nature of these powers it would seem clear that the comptroller is an officer or agent of the United States, expressly as well as impliedly clothed with authority to examine into the affairs of national banking associations, and therefore a false entry made in a report to him is directly embraced in the provision of Revised Statutes, section 5209. But it is argued while this may be absolutely true, it is not so when the provision of Revised Statutes, section 5240, is considered, conferring power upon the comptroller, with the approval of the Secretary of the Treasury, to appoint suitable agents to make an examination of the affairs of every national banking association." And at page 241, that these words "any agent" are all embracing "and can not reasonably be held to exclude the comptroller, the principal agent endowed by the statute, with the power to examine national banks." Speaking of the power of the comptroller the court says at page 245:

"It was undoubtedly within the power of the Comptroller of the Currency, if the bank was out of line, or if its affairs were in a disordered or precarious condition, or if its officers had embarked in transactions calculated to injuriously affect the financial condition of the bank, to apply a corrective, and thus save the bank from injury and future loss. * * * And further:

"The counts charged false entries as to the amount of bad debts due the bank, as to the suspended paper held by the bank, as to the amount due the bank by its president as indorser, guarantor, or otherwise, and as to the assets of the bank, by reporting that it owned various pieces of real estate which it really only held as security. * * *

The opinion of the district judge sustaining the demurrer in the court below gives emphasis to the ruling in the Supreme Court overruling the demurrer. It is reported in 162 Fed. Rep., 687. The court there said among other things (p. 688):

"The first question is whether the Comptroller of the Currency is an agent appointed to examine the affairs of the bank. The only duty charged by the statute upon the comptroller is to receive and publish the report. The law does not make it his duty to examine the bank affairs. The receiving, reading, and publication of the report is not an examination of the affairs of the bank. The national banking act (act June 3, 1864, c. 106, 13 Stat., 99), of which section 5209 is a part, provided that the comptroller should appoint suitable persons to make an examination of the affairs of every banking association, who should appoint suitable persons to make an examination of the affairs of every banking association, who should have power to make a thorough examination into all the affairs of the association, and who might examine any of the officers or agents thereof under oath; and who should make a full and detailed report to the comptroller of the condition of the association. Section 5240, Revised Statutes (U. S. Comp. St., 1901, p. 3516). It was not until January 20, 1873, that the comptroller was given any power to examine national banks, and such power was restricted to banks in the District of Columbia. Section 332, Revised Statutes (U. S. Comp. St., 1901, p. 190). It seems entirely clear that the person appointed to examine the affairs of a bank is one of the examiners so to be appointed, and who have now become a permanent force of the department, and not the Comptroller of the Currency, who is only to receive and publish the report. The statute is highly penal, and can not be extended by construction."

The opinion of the Supreme Court read in the light of the opinion below indicates if it does not hold the view that the power of the comptroller under section 5211 is to call for a report of the affairs of a bank just as fully at least as might a bank examiner. In the present case, it is contended that the examiner has the right to inquire into the affairs of a bank and to get the confidential information; that is, that he is to inquire into its affairs, not its condition, and that the comptroller is limited to calling for reports showing "condition" merely.

The scope of the power and of the duty of the comptroller is further pointed out in *Thomas v. Taylor* (224 U. S., 73), passing upon the duty of directors to charge off bad assets on notice from the comptroller, when the court says at page 82:

"Such disregard of the direction of the officers appointed by the law to examine the affairs of the bank is a violation of the law. Their directions must be observed. Their function and authority can not be preserved otherwise and be exercised to save the banks from disaster and the public who deal with them and support them from deception."

In *United States v. Graves* (53 Fed. Rep., 634), the court says (p. 649):

"What is the object of these reports" (the general reports) "to the comptroller. Undoubtedly to advise him as to the condition and method of management of the bank."

These decisions support the conclusion reached above on an examination of the statute itself.

In several paragraphs of the bill in which are set forth the demands for special reports the plaintiff alleges either that the information called for was not necessary to a full and complete knowledge of the plaintiff's condition, or that the plaintiff is not advised in what respect such information is pertinent or necessary to such knowledge, or that the subject matter of the questions asked was not such as the comptroller was authorized to call for. There are also allegations in the bill to the effect that the action of the comptroller in demanding reports was arbitrary, and that the information sought is not such as would be required by any comptroller animated simply by a desire to do his duty. The contention of the plaintiff is understood to be that because of what is so alleged, coupled with the facts stated, the burden is upon the comptroller to disclose facts from which the court may judge of the pertinence of the information which he sought to obtain. *United States v. Doherty* (27 Fed. Rep., 730) is cited as an authority for this contention. That was an action brought to recover of the defendant a penalty for declining to answer a question asked him by a customhouse appraiser in reference to the price of certain goods which were under appraisement. The defendant had no interest in the importation and it was sought to examine him merely as a witness, but he objected that the disclosure sought for would be prejudicial to his business and that he was not legally required to answer a question which related to the price at which the owner of the goods had directed his agent to deliver them in New York.

Section 2902 of the Revised Statutes made it the duty of the appraisers "by all reasonable ways and means in their power" to ascertain, estimate, and appraise "the true and actual market value of the merchandise at the time of exportation in the principal markets of the country" from which the articles had been imported into the United States, and for that purpose the appraisers were authorized by section 2922 "to call before them and examine on oath any owner or importer, consignee, or other person, touching any matter or thing which they may deem material in ascertaining the market value or wholesale price of any merchandise imported," and a penalty was provided for against any one who declined to answer any interrogatories when so required by the appraiser.

The court stated that there were two questions to be considered; first, whether the power and discretion vested in the appraisers were unlimited and not subject to any review or question by the court in any action brought for the penalty; and, second, if limited, whether the inquiry in this instance was material. The court held that the power of the appraiser is controlled by the rule of statutory construction that limits the general words of statutes giving a discretion apparently unlimited to a legal, reasonable, and just discretion having reference to the objects of the statute, saying that the very language of the statute construed with others in *pari materia* indicates a similar restriction. The opinion points out that in suits growing out of alleged undervaluations, the courts will not permit evidence showing the price at which the manufacturers contracted to deliver similar goods in this country except in cases of fraud or concealment or in the absence of the ordinary and appropriate means of information as to the foreign value. It further stated that although the appraiser had been called as a witness he had not testified that he deemed an answer to his inquiry to be material to the appraisement, and that there was no allegation of concealment or proof or suggestion of inability to ascer-

tain the foreign value in the ordinary ways, and that there was no element of fraud and nothing exceptional in the circumstances of the case; and further, that it did not appear in any way how much or how little other evidence the appraiser had as to the market value in the principal markets of the country of exportation.

In *United States v. Doherty* the court found a limitation on the power of the official on a consideration of the general purposes of the statute under which he claimed to be acting. The inquiry which he was authorized to make was for a definite and concrete purpose, namely, the ascertainment of the market value, words which have a well-known significance and describe a subject-matter inquired into by courts and juries in hundreds of cases; and the holding of the court was in substance that as the appraiser, even though he had the information could not lawfully use it in determining foreign market value, it would be unreasonable to fine a recalcitrant witness for the failure to give useless information. The court pointed out, as already stated, that under some circumstances, namely, in case of fraud or concealment or inability to ascertain foreign market value otherwise than by an inquiry into the price of delivery at New York, the New York price might be shown, which seemed to be the application of a sort of "best evidence" rule.

In the present case the word "condition" has no adjudged meaning such as have the words "market value." Again the word "condition" is a very comprehensive word, as the connection in which it is used indicates. The market value of an article means the price at which it is offered on the market to buyers generally and accepted by them. The condition of a corporation may be determined in some cases on a consideration of only a few circumstances, whereas the condition of another corporation may be possible of ascertainment only upon a knowledge of circumstances of many different sorts, a determination of which involves no such simple inquiry as the ascertainment of market value.

In *United States v. Doherty* it was not stated that the appraiser must show fraud or concealment in order to permit an investigation into the New York price, but apparently the court meant that there should be some indication of a belief that the matter has in it elements of fraud or concealment, and again, the court intimated that if the appraiser had shown that he had exhausted all sources of information as to the market price abroad he might be permitted to inquire into the New York price.

The functions of the comptroller are entirely unlike those of the appraiser which were passed upon in *United States v. Doherty* and that case is not an authority which supports the contention of the plaintiff here.

What the court understands to be the meaning of the plaintiff in charging as above indicated that the comptroller acted arbitrarily is, as stated in some of the cases, that there was such a gross abuse of discretion as amounts to a total lack of authority. That statement has been made in numerous cases, but no one has been brought to the attention of the court in which the principle so stated was actually applied unless it be the case of *Myles Salt Co. v. Board of Commissioners of Iberia and St. Mary's Drainage District et al.*, *supra*, and referred to more at length below. In *Interstate Commerce Commission v. Illinois Central R. R. Co.* (215 U. S., 452) the court says at page 470:

"Beyond controversy, in determining whether an order of the commission shall be suspended or set aside, we must consider (a) all relevant questions of constitutional power or right, (b) all pertinent questions as to whether the administrative order is within the scope of the delegated authority under which it purports to have been made, and (c) a proposition which we state independently, although in its essence it may be contained in the previous one, viz, whether, even although the order be in form within the delegated power, nevertheless it must be treated as not embraced therein, because the exertion of authority which is questioned has been manifested in such an unreasonable manner as to cause it, in truth, to be within the elementary rule that the substance, and not the shadow, determines the validity of the exercise of the power. (*Postal Telegraph Cable Co. v. Adams*, 155 U. S., 688, 698.) Plain as it is that the powers just stated are of the essence of judicial authority, and which, therefore, may not be curtailed, and whose discharge may not be by us in a proper case avoided, it is equally plain that such perennial powers lend no support whatever to the proposition that we may, under the guise of exerting judicial power, usurp merely administrative functions by setting aside a lawful administrative order upon our conception as to whether the administrative power has been wisely exercised."

In *United States v. Louisville & Nashville R. R. Co.* (235 U. S., 314), at page 320, the court says:

"In view of the doctrine announced in *Interstate Com. Com. v. Illinois Cent. R. R.*, (215 U. S., 452), *Interstate Com. Com. v. Delaware L. & W. R. Co.* (220 U. S., 235), *Interstate Com. Com. v. Louisville & Nashville R. R.* (227 U. S., 88), it plainly results that the court below, in substituting its judgment as to the existence of pref-

erence for that of the commission on the ground that where there was no dispute as to the facts it had a right to do so, obviously exerted an authority not conferred upon it by the statute. It is not disputable that from the beginning the very purpose for which the commission was created was to bring into existence a body which from its peculiar character would be most fitted to primarily decide whether from facts, disputed or undisputed, in a given case preference or discrimination existed. (*East Tenn. etc. Ry. Co. v. Interstate Com. Com.*, 181 U. S., 1, 23-29.) And the amendments by which it came to pass that the findings of the commission were made not merely *prima facie*, but conclusively correct in case of judicial review, except to the extent pointed out in the *Illinois Central* and other cases, *supra*, show the progressive evolution of the legislative purpose and the inevitable conflict which exists between giving that purpose effect and upholding the view of the statute taken by the court below. It can not be otherwise, since if the view of the statute upheld below be sustained the commission would become but a mere instrument for the purpose of taking testimony to be submitted to the courts for their ultimate action."

In *United States ex rel. Nalle v. Oyster* (31 App. D. C., 311), at page 320, the court says:

"We conceive it to be the duty of the court to construe this statute liberally, so as to give the board as broad discretion as possible in carrying out its objects. Public policy demands that in the management and control of the public schools final administrative authority shall be somewhere vested. Here it is vested in the Board of Education of the District. It is not the duty or prerogative of the courts to interfere by writ of mandamus with the board in the exercise of its discretion in matters pertaining to the control and management of the public schools of the District, unless there is such a gross abuse of discretion as amounts to a total lack of authority to act.

"The extraordinary writ of mandamus will not be granted to correct mere errors of judgment committed by the board, so long as it acts within the authority conferred by statute. If the board had power to dismiss relator upon the recommendation of the superintendent of schools, without granting her such a hearing as is provided for in section 10 of the act, we will not stop to inquire into the method employed by the board in arriving at its decision. If the power exists, the writ can not issue; if the board had jurisdiction to act, the writ must be denied. The writ will not issue to correct errors where jurisdiction exists."

It is obvious that an inquiry as to whether or not official action is so arbitrary as to amount to a total lack of authority is a mixed question of law and fact, and therefore that a review of the authorities passing upon statutes totally different in purpose from the one here under consideration would not be of any particular value, for nothing could be derived from such an examination for the purpose of the present case except a statement of the general principle laid down in the cases just quoted. Another rule fairly deducible from those cases is that an act can not be held to be arbitrary if it is reasonably related to a particular lawful purpose or unless the court can say that the means have no reasonable relation to the end. Such is the test applied in regard to legislation claimed to be unconstitutional. (See *Atlantic Coast Line v. Ga.*, 234 U. S., 280, 287, 288; *Noble State Bank v. Haskell*, 219 U. S., 104, 142.)

Another case in which the Supreme Court speaks of power arbitrarily exerted is *Myles Salt Co. v. Board of Commissioners of Iberia and St. Mary Drainage District et al.*, *supra*. The court held that the drainage commissioners acted arbitrarily when they included the plaintiff's land in a drainage district. The bill, however, stated facts to show that the plaintiff's land could not be benefited by any drainage project, but, on the contrary, that the land being high and rolling, the drainage was already excessive and that washing and erosion were serious problems. The bill alleged that the property was included in the district not in the exercise "of legal legislative discretion, and not because the scheme of drainage would inure to the benefit of the property even indirectly, but for the purpose of deriving revenues to the end of granting a special benefit to the other lands subject to be improved by drainage without any benefit to plaintiff or its property whatever, present or prospective."

These conclusions were warranted, however, by the facts distinctly and clearly alleged, and the court said:

"We are not dealing with motives alone, but as well with their resultant action; we are not dealing with disputable grounds of discretion or disputable degrees of benefit, but with an exercise of power determined by considerations not of the improvements of plaintiffs' property, but solely of the improvement of the property of others—power, therefore, arbitrarily exerted, imposing a burden without a compensating advantage of any kind."

In other words, the case holds in substance that a mere allegation of arbitrary action is not sufficient where the matter is one involving the exercise of judgment and discretion, but that the plaintiff must allege facts to show that the action is arbitrary

and in reality beyond the official power of the person undertaking to exercise it. That the averment that an act is arbitrary is a statement of a conclusion of law merely is held in *Collins v. Johnson* (237 U. S., 502).

The fact must not be overlooked that Congress in the national bank act has provided in one instance for restraint of the comptroller by the courts. Section 5237 provides that whenever proceedings have been taken against a bank based upon an allegation of a failure to redeem its circulating notes the bank, if it denies having done so, may apply to a United States court to enjoin further proceedings looking to the appointment of a receiver. By section 5239 it is provided that for a violation by the directors of any of the provisions of the act, the rights, privileges, and franchises of the association shall be thereby forfeited, but that such violation shall be determined in a suit brought for that purpose by the comptroller.

In the present case it must be kept in mind that the comptroller is not adjudicating rights as between adversary parties; that he is not seeking to put into operation any power of taxation; that he is not undertaking to deprive the plaintiff of any privilege conferred by law such as the right to use the mails; that he is not seeking to take property of the bank under legislative sanction, but is merely endeavoring to get information to use for the public benefit and about the affairs of a corporation chartered by the same legislative body that authorized him to call for the information and gave him visitatorial powers which are powers of supervision, direction, and correction. That those powers are of the widest scope is indicated by the use of the word "visitatorial" in the statute, by a consideration of the cases above cited and of the clearly indicated purposes of the act itself. Those powers are to be exercised for the purpose of obtaining information for the protection of the public, of depositors, and of stockholders and were conferred on the assumption that some bank management would need the closest scrutiny because dishonest or otherwise dangerous. No argument is needed to show that the affairs of banks, especially of large banks, are numerous and complicated. The court will take judicial notice of the fact that notwithstanding careful examinations by examiners and by comptrollers, bad practices in banks have been successfully covered up and not being disclosed in time for the comptroller to apply a corrective have led to disaster. The conditions in any single bank may be vitally influenced by conditions in one or more banks in the immediate locality or elsewhere. A knowledge of the conditions of such banks consequently may vitally affect the determination by the comptroller to call for a report from such single bank. General business conditions in a given community may likewise have an influence upon the determination of the comptroller to call for information from a single bank. All the facts and circumstances surrounding a given situation may be, and usually would be, unknown to the court in advance of judicial inquiry.

It is argued that the comptroller has no right to go into past transactions which have been closed for a considerable length of time. This argument carried to its possible extreme would prevent the comptroller from obtaining any information in regard to an item contained in a regular report several weeks after it was filed if the bank officers should report that a particular transaction was closed and that the item was no longer on the books of the bank as an existing transaction. The bank examiners, as is well known, go over the books of a bank and frequently discover defalcations or irregular practices running over several years notwithstanding many previous examinations for which irregularities the present management is responsible. Valid reasons for going back over the books of the bank for several years may be suggested by what is discovered as to recent transactions.

The limitations which courts have fixed in regard to interference with the performance of executive duties are clearly indicated in *Bartlett v. Kane* (16 How., 263, 272), where the Supreme Court said:

"The interference of the courts with the performance of the ordinary duties of the executive departments of the Government would be productive of nothing but mischief, and we are satisfied that such a power was never intended to be given them." And that broad principle was applied in construing the national bank act in the following two cases: *Washington National Bank of Tacoma v. Eckels*, (57 Fed., 870, 872), where the court says:

"In 1876 Congress passed a law which, in terms, gives the Comptroller of the Currency the right to appoint a receiver whenever he becomes satisfied, after an examination, that a national bank is insolvent. The power thus vested in the Comptroller of the Currency is discretionary, and I think the rule holds good in this case, as in others, that where the head of a bureau in one of the departments of the Government is clothed with discretionary powers, and authority to investigate facts and act upon his conclusions, his conclusions as to the facts are final, and not reviewable by the courts; so that the decision of the Comptroller of the Currency in this case, that the bank is insolvent, is to be taken as a finality. It is equivalent to the fact, whether the bank

is really insolvent or not, so far as to authorize the exercise of the comptroller's power to put the bank in the hands of a receiver."

To the same effect is the decision in *Platt v. Beebe*, 57 N. Y., 339, 343, where the court says:

"The act, in its peculiarity of expression, is framed to meet such an emergency, and authorizes the comptroller, when satisfied of the existence of a given state of facts, to make the appointment. Such words, as upon proof or evidence, indicating it to be the design of the framers of the law that it should be upon legal proof or evidence of the facts are carefully omitted; and the comptroller is left to be satisfied as best he can be, under the peculiar circumstances of each case, of the existence of the facts and the necessity of his action."

It would be difficult to suggest any practicable method for limiting the powers of the examiners, and at the same time permit them to render the services required of them although perhaps a case might arise in which the court would feel constrained to check the activities of an examiner; but as pointed out in *United States v. Corbett* (215 U. S., 233), the comptroller is the principal agent to examine into the affairs of the bank and it is equally or more difficult perhaps to suggest any practicable plan of conducting his bureau if his right to act could be successfully challenged until he had satisfied a court that his inquiry into the affairs of a bank was necessary to a knowledge of its condition, although with him, too, a case might arise perhaps in which the court would control his attempted exercise of power merely claimed. When a report which relates to the affairs of a bank is called for by a comptroller he should not be required to come into court and before being permitted to proceed with the inquiry show to the court all the facts and circumstances which have come to his knowledge in a large and important bureau of the Government on which he is authorized to act, thereby rendering it impossible perhaps for the comptroller to save a failure or serious loss, or to apply corrective measures to remedy a situation having in it elements of danger unless beyond a reasonable doubt practically it can be said that the information is not necessary.

The actions of the comptroller on the basis of which specific charges are made to the effect that he was acting in excess of his powers examined in the light of the views above expressed must be upheld as lawful.

The information called for by the comptroller in regard to the list of loans in excess of \$5,000 secured by collaterals should have been furnished. The contention is made that he made a demand that the information be given "at once," but that fact can not be clearly ascertained from reading the paragraph, and it rather appears that when the comptroller said that he wanted the information at once it was merely an answer to the suggestion of the officers of the bank that they would take the matter up with the board of directors.

The demand to be informed whether or not the plaintiff was maintaining a private telegraph wire connected with stock brokerage houses in New York was an eminently proper inquiry, but so was that set forth in the fifteenth paragraph of the bill as it related to expenditures being made at the time by the bank.

It is stated that the comptroller demanded that certain officers of the bank express an opinion as a matter of law to the best of their knowledge and belief as to who was the owner of a certain account standing in the name of "Flather & Flather." The allegation is that the comptroller was informed of every fact respecting this account, amount thereof, source of funds credited to the account and the use from time to time made of those funds was fully and repeatedly stated to the comptroller. Two officers of the bank at the time bore the name of Flather. If the bank knew as much about the account as the allegation indicates, the court will not assume that under those circumstances it was unreasonable to call for an expression of the knowledge and belief of the officers of the bank as to whom, between the bank and the persons named as depositors, the funds really belonged. Possibly if all facts in regard to the account which, as the bill says, were stated to the comptroller has been stated in the bill for the information of the court, a different conclusion might be reached; but the comptroller did have the facts stated and having them may well have been justified in asking for the best of the knowledge and belief of the officers as to the ownership of this account, which is not calling for an opinion on a question of law.

Certain reports were called for and a time longer than five days was specified for some of them. It is not obvious why the bank should complain of the giving of a longer time. The paragraph also states that compliance was physically impossible, but it is not alleged that any effort was made to get an extension of time, nor does it state what the demands were, so as to permit the court to form any opinion as to whether there was anything objectionable in the demand.

There was a demand for information in regard to loans made by the plaintiff, directly or indirectly, to Secretaries of the Treasury and Assistant Secretaries of the Treasury

of the United States; to Comptrollers of the Currency; to national bank examiners and to employees of the comptroller's office. The demand certainly can not be considered an improper one, especially if any officers of the bank have been officers since its organization, to which time reference is made in the demand and the facts in that regard should be fully stated.

The demand for information in regard to commercial paper being carried by the plaintiff was clearly proper, relating as it did to the assets of the bank.

The details of the demand for a special report in regard to United States bonds shown in the regular report of the bank are not sufficiently set forth to enable the court to determine what is complained of.

The gist of one of the charges seems to be that the comptroller made calls on a certain national bank other than the plaintiff and a certain trust company in which officers of the plaintiff bank were directors and that he disregarded the fact that while a national bank director is required to own ten shares of stock, directors of trust companies are under no such requirement. The comptroller has a right to make an inquiry in regard to ownership of stock by the directors of a bank, and it does not appear what his demand for information in regard to the ownership of stock in trust companies has to do with this case unless it be to show the malice charged, but the facts are not set forth fully enough to enable the court to take any action based upon the alleged improper conduct of the comptroller. Moreover the comptroller has the same powers over trust companies in the District of Columbia as he has over national banks. Code, sections 713, 714.

The paragraphs of the bill contain allegations; that the defendant Williams said that he would not believe the statements of the plaintiffs' officers; that certain lengthy examinations were made by bank examiners; and that a bank examiner was brought from without the jurisdiction of the District of Columbia and made a long examination of the plaintiff's officers, are not statements of facts entitling plaintiffs to relief.

The comptroller rightly asked to be informed in regard to the expenditure of money for printed copies of the correspondence, and for the other information on that matter in order to enable him to determine the propriety of those expenditures, as well as to be informed whether any of the plaintiff's books or records had been destroyed.

The circumstances surrounding the demands for the failure to comply with which the penalty of \$5,000 was assessed are fully set forth above. That demand was twofold: First, for information in regard to all direct loans made by the bank to certain of its then officers; and, second, for information in regard to all indirect or dummy or concealed loans made since the organization of the bank for the benefit, directly or indirectly, of those officers, or any of them, including all loans for which they or any of them had indorsed or for which they had furnished the whole or any part of the collateral by which loans to any of them were secured; and for other information as shown by the quotation of said paragraph above. In the view which the court takes of the power of the comptroller these demands were entirely within his powers. The reply of the bank it will be noted states that when the last examination of the bank was conducted, there were no loans to the officers standing on the books; and likewise, in regard to the demand for loans made to them under cover, and it is not denied that the latter sort of loan had been made. Evidently the main contention sought to be raised by the allegation in this paragraph is that the transactions of the sort referred to, having been closed a considerable time prior to the making of the demand, were not the proper subject of inquiry by the comptroller. The court has indicated a view to the contrary above and it is perfectly obvious that as to concealed loans made for the benefit of the officers of the banks no possible limit to the scope of an inquiry by the comptroller could be reasonably suggested. The bill alleges that a bank examiner had gone over the books back to the date when the plaintiff began to do business.

It is stated that the comptroller in requiring that certain facts be laid before the board of directors did so for the purpose of discrediting the plaintiff's officers before the board of directors and to drive them from their official positions. This practice is practically approved by the Supreme Court of the United States in *Jones National Bank v. Yates et al.*, decided April 3, 1916, in which case it appeared that a letter from the comptroller "emphasized the duty of the directors with respect to the conduct of the bank's affairs; and it concluded with a request for a reply over the directors' individual signatures."

The bill alleges that the acts of the comptroller were done maliciously. This is merely the statement of a conclusion of law not admitted by demurrer. Malice in law means nothing more than the intentional doing of a wrongful act without justification and within the meaning of the definition such an act is one which in the ordinary course is calculated to infringe and does in fact infringe, upon the rights of another to his damage unless it be done in the exercise of an equal or superior right. *Brennan v. United Hatters* (73 N. J. Law, 729). The comptroller was acting within his powers

and in performance of his duty so far as calling for the reports is concerned, therefore as no right of the plaintiff was infringed he was not acting maliciously.

There are numerous allegations in the bill inserted apparently for the purpose of establishing malice and showing a conspiracy, notably that of the action of the comptroller in regard to the Red Cross funds, but a reading of the allegations in that regard show satisfactorily that the defendant Williams as treasurer of the Red Cross funds was taking perfectly proper steps to obtain the largest possible revenue from it while on deposit. The plaintiff was given the same opportunity that was given to others to have those deposits made in its bank.

Another allegation is that the defendants McAdoo and Williams "had in ways which will be fully detailed in the evidence to be taken in this suit openly and publicly manifested their personal malice toward certain of the plaintiff's officers." Without considering that the plaintiff's officers are not the bank and that the defendants might be hostile to plaintiff's officers while being solicitous for the welfare of the stockholders, it is obvious that if the plaintiff wished any action to be taken based on the existence of such hostility it should have stated the facts fully enough to permit the court to determine the existence of such feeling. The other allegations inserted in the bill for the purpose of showing malice do not require any special reference.

It can not be successfully contended that where on a given set of facts one comptroller not said to be actuated by malice may lawfully reach a certain conclusion, another comptroller acting in a similar manner on a similar set of facts takes such action at the risk of having his motives inquired into when he is said to be acting maliciously. To so hold would be to disregard the long lines of cases restricting judicial interference with executive acts.

It is contended that a bank is not "required" to furnish a special report, which by section 5211 the comptroller is authorized to call for because the latter section does not in terms require a bank to make such report.

Section 5213 provides that "every association which fails to make and transmit any report required under either of the two preceding sections shall be subject to a penalty of \$100 for each day after the periods respectively therein that it delays to make and transmit its report * * *"

It was held in *United States v. Mitchell* (58 Fed., 993) that a statute providing that the superintendent of the census be "required to obtain from" corporations certain information did not require the corporations to give it, but it was stated in the opinion by way of dictum in regard to another section of the statute directing the superintendent "to require from every railroad corporation the following facts * * *" did require the companies to give the information. The court said that in the one case a duty was imposed upon the superintendent, but in the other it was imposed upon the corporation. It must be held therefore that banks are required to furnish the special reports for which the comptroller is authorized to call.

It is further contended that section 5213 does not impose a penalty for failure to make a special report, the argument being that the words "the periods, respectively, therein mentioned" refer only to the five-day period prescribed for the filing of the general reports in section 5211 and the dividend reports called for by section 5212, and that "respectively" does not mean the two sections respectively. The plain reading of the section leads to a different conclusion. The words "any report required under either of the two preceding sections" are all embracing as was said in *United States v. Corbett*, supra, of the words "any agent" so every kind of report is included and the word "respectively" assigns the "periods" to their proper sections. If the period mentioned in each section had been five days and the word "respectively" left out what was intended would be obvious and the necessary use of that word does not make the meaning obscure.

An examination of the previous legislation confirms this view. The original national bank act did not provide that the comptroller might call for special reports. The provision is first found in the second national bank act, chapter 106, 13 Statutes, 99, section 34 of which act provides for the making of four general reports and requires that the banks "shall transmit the same to the comptroller within five days thereafter * * * and any bank failing to make and transmit such report shall be subject to a penalty of \$100 for each day after five days that such report is delayed beyond that time."

The act of March 3, 1869, section 1, after providing for five regular reports provided as follows: "And the comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same shall be necessary in order to a full and complete knowledge of its condition."

"Any association failing to make and transmit any such report shall be subject to a penalty of \$100 for each day after five days that such bank shall delay to make and transmit any report as aforesaid. * * *"

Section 2 of that act provides:

"That in addition to said reports each national banking association shall report to the Comptroller of the Currency the amount of each dividend declared by said association and the amount of net earnings in excess of said dividends, which report shall be made within two days after the declaration of each dividend and attested by the oath of the president or cashier of said association, and a failure to comply with the provisions of this section shall subject such association to the penalties provided in the foregoing section."

In view of this previous legislation it can not be successfully maintained that Congress intended in revising the statutes to make any change as to what was required nor as to the penalty to be imposed. Congress simply enacted in three sections what had previously been contained in two sections of a single act.

The plaintiff contends that especially in view of the fact that the provisions of the statute are highly penal, resort can not be had for interpretation to the previous legislation; but in *United States v. Corbett* (215 U. S., 233) where the court was considering an indictment found for alleged violation of the national bank act, it is said at page 241:

"The provision in question was originally contained in the act of 1864, which, moreover, forbade certain acts in the transaction of the affairs of national banks, empowered the Comptroller of the Currency to exercise supervisory power, to call for reports from the associations and to bring into play other authority substantially as found in the law as now existing. This was followed by the provision giving to the comptroller the right to appoint subordinate examiners, the whole being concluded by a section containing provisions which are now substantially embodied in Revised Statutes, 5209."

The court further says (p. 242):

"But the argument is that, however cogent may be the considerations just stated, they are here inapplicable, because the statute is a criminal one, requiring to be strictly construed. The principle is elementary, but the application here sought to be made is a mistaken one. The rule of strict construction does not require that the narrowest technical meaning be given to the words employed in a criminal statute in disregard of their context and in frustration of the obvious legislative intent. *U. S. v. Hartwell* (6 Wall., 385). In that case, answering the contention that penal laws are to be construed strictly, the court said (p. 395):

"The object in construing penal, as well as other statutes, is to ascertain the legislative intent. * * * The words must not be narrowed to the exclusion of what the legislature intended to embrace; but that intention must be gathered from the words, and they must be such as to leave no room for a reasonable doubt upon the subject. * * * The rule of strict construction is not violated by permitting the words of the statute to have their full meaning, or the more extended of two meanings, as the wide popular instead of the more narrow technical one; but the words should be taken in such a sense, bent neither one way nor the other, as will best manifest the legislative intent."

"It is to be observed that the rule thus stated affords no ground for extending a penal statute beyond its plain meaning. But it inculcates that a meaning which is within the text and within its clear intent is not to be departed from because, by resorting to a narrow and technical interpretation of particular words, the plain meaning may be distorted and the obvious purpose of the law be frustrated."

In *Oceanic Navigation Co. v. Stranahan* (214 U. S., 320), where there was under review the question of the right of the Secretary of Labor and the collector of the port to exact penalties for violation of the immigration law, the court made use of a report of the Senate Committee on Immigration, saying that while the conclusions already reached were clearly sustained by the text, yet if ambiguity were conceded it was dispelled and the same result reached by a consideration of such report, which it was proper to consider as a guide to a true interpretation of the act. See, also, *Hermann v. Edwards* (238 U. S., 107), in which case the court considered previous legislation on the same subject-matter and stated among other things "aside from this it is to be moreover observed that the intention of Congress to make by the adoption of the judicial code so radical a change from the rule which had prevailed for so long a period is not to be indulged without a clear manifestation of such purpose."

It is argued that to construe the act as contended by the comptroller would be to render sections 5211, 5212, and 5113 of the Revised Statutes unconstitutional.

The demands made by the comptroller were that the bank make certain reports. If the demand had included the production of books and papers of the plaintiff, the officers of the bank would have no privilege of refusing to produce them, because they might contain matter which would incriminate the officers or lead to punishment of

the corporation. *Hale v. Henkel* (201 U. S., 42; *Wilson v. United States*, 221 U. S., 361). As was stated in the latter case the State has visitatorial powers over corporations. The fourth amendment of the Constitution protects a corporation against unreasonable searches and seizures, but the fifth amendment providing against compelling a person to be a witness against himself in a criminal case does not prevent the compulsory production of the books of the corporation by one of its officers. So here the bank can not excuse the failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination.

The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports. *Interstate Consolidated Street Railway Co. v. Commonwealth of Massachusetts* (207 U. S., 79). In that case a statute was assailed on the ground that it was repugnant to the fourteenth amendment. The court below decided otherwise and the Supreme Court said (p. 84):

"This court is of opinion that the decision below was right. A majority of the court considers that the case is disposed of by the fact that the statute in question was in force when the plaintiff in error took its charter and confines itself to that ground." See, also, *Newburyport Water Co. v. Newburyport* (193 U. S., 561, 753, *Chicago, R. I., Etc., R. Co. v. Zerneck*, 188 U. S., 28).

In *Hale v. Henkel*, *supra*, the Supreme Court says:

"Upon the other hand, the corporation is a creature of the State. It is presumed to be incorporated for the benefit of the public. It receives certain special privileges and franchises, and holds them subject to the laws of the State and the limitations of its charter. Its powers are limited by law. It can make no contract not authorized by its charter. Its rights to act as a corporation are only preserved to it so long as it obeys the laws of its creation. There is a reserved right in the legislature to investigate its contracts and find out whether it has exceeded its powers. It would be a strange anomaly to hold that a State, having chartered a corporation to make use of certain franchises, could not in the exercise of its sovereignty inquire how these franchises had been employed, and whether they had been abused, and demand the production of the corporate books and papers for that purpose."

The conclusion is that no constitutional rights of the bank are violated by compelling it to furnish reports. If the officers of the bank decline to give information on constitutional grounds personal to them others can be selected who will have no such ground for refusal.

Notwithstanding that the comptroller was entitled to have special reports giving him the information sought for, he was not authorized to demand that the reports be verified by the persons designated by him to swear to them.

Section 5211 requires that the reports shall be verified by the oath or affirmation of the president or cashier and attested by the signature of at least three of the directors. The refusal to furnish the reports was not based upon the fact that the persons mentioned in the statute were not called upon to verify and attest them, and the defendants claim that this amounted to a waiver of the defect and that penalties can be imposed notwithstanding.

An action to recover penalties such as are here imposed is an action of debt and is a civil suit and not a criminal prosecution. *Hepner v. United States* (231 U. S., 103). The case against the defendant need not be made out beyond a reasonable doubt. *United States v. Reagan* (232 U. S., 37). Nevertheless the declaration in an action to recover penalties is to be as strictly construed as would be an indictment for the offense for which the penalty is imposed. *Ferrett v. Atwill* (8 Federal Cases, 4747), and of course must set forth the duty imposed upon the defendant by the statute. Where as here that duty does not arise until an official has taken a step of a certain description, it should appear in a declaration that such step has been taken and according to law. In proving the cause of action the plaintiff must bring himself clearly within the statute. *Gilbert v. Bowe* (179 Ill., 341), which was a case involving the right of an individual to recover a penalty in his private capacity. Such was also the case of *Levy v. Cohen* (18 N. Y. Supp., 155, on appeal, 19 N. Y. Supp., 912). There the action was to recover a penalty from the general manager of a corporation for refusing to allow the inspection of books, and it was held that the plaintiff must allege that he made his demand at the principal place of business of the corporation and during business hours, which was a prerequisite under the statute to obtaining the information. The court on the appeal there said that as the action was to recover a penalty the pleadings were to be construed with the same strictness that an indictment is. The ruling of the court was that the complaint was defective in not alleging the fact necessary to be proved.

While it is true that one charged with a crime may waive the doing of certain things which the law provides for his benefit, such, for instance, as the right to have

the names of witnesses furnished to him before going to trial, no case has been found in which it has been held that a defendant waives the doing of anything which is of the essence of the offense with which he is charged, and therefore it must be held in this case that the comptroller having called for a report not verified and attested as provided in the statute did not place himself in a position where he could lawfully assess a penalty for a failure to comply with the demand which he made.

The plaintiff would have the court enjoin the comptroller from revoking any designation of the plaintiff as a depository and from refusing to approve of the bank as such. The prayer of the bill also asks that if the comptroller has in form revoked such designation or in form refused such approval, then that such revocation or refusal may be decreed to be null and void.

Section 5192 of the Revised Statutes provides that a certain percentage of the reserves of a bank may consist of balances due from other associations approved by the Comptroller of the Currency. The comptroller had not refused to approve the application of any association for leave to keep part of its reserve in the plaintiff bank. He has not revoked or threatened to revoke any approval heretofore given. He has, however, announced that he will until further notice refuse to approve of the plaintiff for that purpose.

It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him "from refusing to approve the plaintiff bank as such a depository" can mean nothing unless it be to require the comptroller to approve, and there being no specific instance of an application pending, it amounts to asking the court to compel the comptroller to approve of any application. To state the request as thus analyzed is to show that it can not be granted.

It is contended by the plaintiff that the Secretary of the Treasury has usurped the functions of the Treasurer of the United States in paying interest on the bonds rather than directing the Treasurer to do so. If provisions of the statutes are such as to require the Secretary of the Treasury to construe them acting presumably under the advice of the officer lawfully assigned to his department to advise him, the court will not interfere with that construction, at least if it be a possible one, especially in a case in which no harm can come to a plaintiff by following the interpretation placed on the act by the Secretary. He claims that it is his duty to pay the interest and he is retained in the case only because of that contention; otherwise the bill would be dismissed as to him.

The plaintiff seeks to have the comptroller enjoined generally from future violations of the law so far as his acts might affect it. Such an injunction could not be upheld. A court will not stop an officer vested with powers to be exercised at his discretion from performing his statutory duty for fear that he should perform it wrongly. *First National Bank v. Albright* (208 U. S., 548). Moreover, such an injunction would be too vague. *Richmond Safety Gate Co. v. Ashbridge* (116 Fed. Rep., 220), in which case the bill asked for an injunction against certain building inspectors, but the court said (p. 222):

"The court can not undertake to direct or control the defendant's exercise of judgment in specific cases upon which they may hereafter be called upon to act * * * but an injunction, if now issued, restraining them, in general terms, from acting with groundless discrimination, or upon frivolous reasons, or from unfairly refusing to inspect gates of the plaintiff 'for long periods of time,' or from denying its rights, or interfering with its business would, I think, because of its vagueness, be practically incapable of enforcement, and therefore, if for no other reason, ought not to be awarded."

The temporary injunction restraining the payment of \$5,000 due for interest into the Treasury will be continued but not as to the Comptroller of the Currency, as he has no control over that matter.

No preliminary relief will be granted against the comptroller, as he is not threatening at this time to assess any penalties and has disclaimed any intention of doing so.

Except for the purpose of compelling payment of the interest due the bank and retained and of enjoining the assessment of penalties because of the failure to comply with the demands for reports, the bill will be dismissed as to all the defendants.

Mr. WILLIAMS. Mr. Chairman, I would like to make a short statement regarding the Red Cross account, referred to by Mr. Poole.

The CHAIRMAN. Very well.

ADDITIONAL STATEMENT OF HON. JOHN SKELTON WILLIAMS.

Mr. WILLIAMS. Mr. Chairman and gentlemen, Mr. Poole appeared before the committee a day or two ago and charged discrimination against me, as treasurer of the American Red Cross, in the matter of Red Cross deposits. If Mr. Poole is a fair-minded and honest man, as I of course assume him to be, I think when Mr. Poole ascertains and realizes the facts of the matter he will send me an humble apology for the charges which he made before this committee.

Upon my return to the Treasury after Mr. Poole's testimony, or Mr. Hogan's—I forget which it was—I telephoned to the Red Cross office, to the assistant treasurer, who has active charge of the office there, Mr. Hugh S. Bird, and told him that it had been stated before this committee that a large deposit of \$400,000, or thereabouts, had been made on one occasion to the Federal National Bank, and that it had been immediately withdrawn a day or two following, and that it had been charged that that was due to my prejudice against the Federal National Bank or against some member of its board. I asked the Assistant Treasurer if he had any idea what was referred to; that I had never heard of any such transaction, knew nothing about it or anything resembling such a suggestion. Mr. Bird said, "Yes; I know what they are talking about. I will send you a memorandum at once."

Under date of July 12 I received from the assistant treasurer, Mr. Bird, who has active charge of the office at the Red Cross Building, this letter:

THE AMERICAN RED CROSS,
OFFICE OF THE TREASURER, NATIONAL HEADQUARTERS,
Washington, D. C., July 12, 1919.

Mr. JOHN SKELTON WILLIAMS,
Treasurer, American National Red Cross, Washington, D. C.

DEAR SIR: In response to your inquiry concerning Red Cross deposits with the Federal National Bank of this city, I have this to say:

In December, 1917, following a certain revision of the accounting of the organization, it came about that each of the managers of the 14 divisions of Red Cross needed to have a bank in his home city in which he could make deposits subject to the check of this office.

I accordingly invited each of the division managers to nominate a bank in his home city for such deposits, subject to your approval as required by the by-laws of the Red Cross. Each division manager followed my suggestion and the banks named by them are to-day depositories of this organization as you have made no objection to any of them.

Following the routine above outlined, Mr. Otis H. Cutler, division manager of the Foreign division, selected the Federal National Bank of this city for his deposits, and it has continued to occupy this status to the present date, as you can tell from the daily balance sheets mailed from this office. In addition to this account the foreign division keeps its office account, with which this office has nothing to do, at the Federal, and has done so, I am informed, since the organization of the division.

Following the tripartite arrangement made with each of the divisions, the Potomac division selected the American Security & Trust Co. as their depository. I had accepted this designation and you had not objected as you had not in the case of the foreign division and the Federal, the tripartite arrangement being in each case between the division manager, the bank selected by him, and myself.

In conversations with the managers of the two divisions whose office was in Washington, I had enjoined upon them that they select other banks than the Commercial, the District National, and the Washington Loan & Trust, because I had already accounts with them and did not want to run the risk of confusion. For a like reason I asked the two managers to select different banks from one another.

On March 12, 1918, Mr. Henry White of the Potomac division made a deposit of \$389,518.11 in the Federal National, thus breaking the arrangement I had made with the American Security & Trust as the recognized depository of the Potomac division. Mr. Bell, of the American Security, justly became aggrieved, and on his complaint

on March 14 I moved the erroneously placed deposit of \$389,518.11 to the American Security, where it belonged. I had no prejudice either for or against either bank involved but I did need to keep the deposits of the two divisions in separate banks. Mr. White explained that his accountant had misunderstood the arrangement and the account of the Potomac division has since remained with the American Security & Trust, as the account of the foreign division has remained with the Federal National.

It is needless for me to tell you that you knew nothing of the error of Mr. White in making the Potomac deposit in the bank selected for another division nor of my remedying the error by transferring the money to the bank in which it had been agreed it should be placed. It was a matter of office routine and was done in the interest of maintaining the clarity of our accounting between divisions.

I might add that, although of the 25 banks in which the funds subject to the check of this office are deposited the Federal National is the least liberal in the interest it allows on daily balances, the original selection of it as the depository of the foreign division remains undisturbed to this day. I have not hitherto apprised you of this fact because I had hopes that when Mr. Cutler, who made the original agreement with the Federal, returned from Europe, I could effect a more favorable interest practice.

Yours, very truly,

HUGH S. BIRD,
Assistant Treasurer.

I was in complete ignorance of any of those arrangements at all.

I think it may interest the committee to note at the same time in connection with the alleged prejudice on my part against the Riggs interests that I understand that the leading officer of the Riggs Bank is probably the largest owner or shareholder in this particular American Security & Trust Co. with which the deposit was made and remains.

Senator CALDER. Have you any record of the Red Cross deposits in the Federal National Bank?

Mr. WILLIAMS. Yes, sir.

Senator CALDER. Will you tell us what they are or were?

Mr. WILLIAMS. Do you recall, Mr. Chairman and gentlemen, that Mr. Hogan or Mr. Poole—I think it was Mr. Hogan; I do not remember which—stated that the Red Cross deposits at that time in the Federal National Bank were \$525?

The CHAIRMAN. At the time this money was deposited and withdrawn?

Mr. WILLIAMS. Yes. Here is a letter from Mr. Hugh S. Bird, dated July 14, 1919:

THE AMERICAN RED CROSS,
OFFICE OF THE TREASURER, NATIONAL HEADQUARTERS,
Washington, D. C., July 14, 1919.

Hon. JOHN SKELTON WILLIAMS.

*Treasurer American National Red Cross,
United States Treasury Building, Washington, D. C.*

DEAR SIR: In response to your inquiry as to balance subject to the check of this office in the Federal National Bank of this city, I submit the following figures taken from our books—which figures have been checked monthly with bank statement sent us and same found correct:

AVERAGE DAILY BALANCE.

February, 1918.....	\$18,921.05	January, 1919.....	\$27,147.20
March, 1918.....	55,620.32	February, 1919.....	33,250.58
April, 1918.....	59,592.57	March, 1919.....	27,805.77
May, 1918.....	35,573.28	April, 1919.....	32,792.92
June, 1918.....	23,556.76	May, 1919.....	9,323.37
July, 1918.....	40,700.00	June, 1919.....	6,340.28
August, 1918.....	42,282.27		
September, 1918.....	30,760.70		
October, 1918.....	13,581.50		
November, 1918.....	24,332.10		
December, 1918.....	7,994.62		

As you know, since the armistice, deposits have been going down—

Average daily balance for the 17 months \$28,798.55.

More specifically, the balance in the Federal National on or about the date of the transfer of which Mr. Poole complained were as follows, disregarding the amount erroneously deposited altogether:

On March 12, 13, 14, 15, and 16, 1918, \$55,988.90—

Not \$525.

On March 17, 1918, \$70,945.74—

The fluctuations of balance in this bank have been just as they were in all other banks where the divisions deposited.

I should add that had the Federal allowed interest on daily balance as little as the least given us by our four other Washington depositaries, we would have received \$1,224.15 on this account. The Federal allowed for the average balance of \$28,798.55 kept with them 17 months the sum of \$16.30.

Yours, very truly,

HUGH S. BIRD,
Assistant Treasurer.

Senator CALDER. Was there more than one account at the Federal Bank?

Mr. WILLIAMS. He speaks here of another account, I think.

May I read a letter which reached me this morning from the second assistant treasurer, with whom I had not discussed this matter at all? He seems to have taken it upon himself, however, to address me this letter, which I think is quite in order:

THE AMERICAN RED CROSS,
OFFICE OF THE TREASURER, NATIONAL HEADQUARTERS,
Washington, D. C., July 15, 1919.

HON. JOHN SKELTON WILLIAMS,

Comptroller of the Currency,

United States Treasury Building, Washington, D. C.

MY DEAR MR. WILLIAMS: If the account of Mr. Poole's testimony before the Banking and Currency Committee yesterday was correctly stated in the Washington Post as to the deposit and transfer of Red Cross funds, permit me to say that Mr. Poole has deliberately given the committee information that is not absolutely true.

The deposit of the funds in question with the Federal National Bank and the transfer immediately back to the American Security & Trust Co., was made absolutely without your knowledge, and therefore, the question of personal feeling that Mr. Poole raises between Mr. Hogan and yourself could not enter into it at all.

I also find that our territorial foreign and insular division had on deposit with the Federal National Bank on March 12 and 13, 1918, approximately \$7,600 Red Cross funds in addition to the \$55,900 that we reported to you was on deposit there for headquarters; whereas Mr. Poole states that our only account there amounted to \$575.

I was working on the Potomac Division account with this Mr. Andrus, accountant of the Potomac Division that Mr. Poole names, to straighten out the status of their account a month before it was transferred to the Federal, and this same Mr. Andrus told me that it might, in all probability, be transferred to the Federal because Mr. Poole had been selected chairman of the second war drive.

I know that this movement of funds created a little stir in local banking circles, and Mr. Poole had several explanations to make about his part in it. I also understood that he was rather active afterwards in trying to have it transferred back to the bank.

I trust that this bit of information will assist you in refuting his evasive testimony against you.

Very sincerely, yours,

E. C. HANEKE.

I shall be glad to answer any questions that may be asked me on that point, because I have told you the whole story.

Senator FLETCHER. You knew nothing at all about it?

Mr. WILLIAMS. Nothing whatever.

I wish, also, with your permission, Mr. Chairman, at a suitable time to reply completely and fully to the statements which Mr. Poole and Mr. Hogan made in regard to discrimination against that bank, and I think I shall have some testimony which will be quite as interesting as that which I have just laid before you.

The CHAIRMAN. We will continue until 5 o'clock.

Senator CALDER. Mr. Williams, were you treasurer of the Red Cross fund?

Mr. WILLIAMS. I have been for about four years, I think—four or five years—treasurer of the American National Red Cross.

Senator CALDER. Is it possible for you to advise the committee of the deposits in the different banks of Washington?

Mr. WILLIAMS. Yes, sir.

Senator CALDER. Of Red Cross funds, extending over the period of the greatest activity of the Red Cross?

Mr. WILLIAMS. Certainly.

Senator CALDER. I wish you would do that, please.

Mr. WILLIAMS. Very good.

Senator CALDER. I asked Mr. Poole if Mr. Bird was a relative of yours, and he said he thought he was.

Mr. WILLIAMS. I do not know that he is any nearer kin than a great many other people in Virginia. He is not a near kinsman of mine. It may be that we are eighth or ninth cousins, Senator; but if we are related, I do not know what the relationship is. I think he mentioned to me last evening that he was a descendant of William Randolph. I happen to have descended from that same ancestor, who died, I think, about 1720. He happened, I believe, also to be a descendant of Thomas Jefferson and John Marshall and Robert E. Lee, and a few others; but we do not claim any very near kinship on that account.

The CHAIRMAN. You had a talk with him last evening?

Mr. WILLIAMS. I did. He was here in the room, Senator, during the session. I asked him to come up here. I thought it might be that the committee might like to hear him. If the committee should like to hear him, I should be very happy to have you request him to appear. I think I have answered the question that he is not a near kinsman of mine.

Senator FLETCHER. Is the treasurer of the Red Cross elected by a board? Is he elected or chosen?

Mr. WILLIAMS. I think the treasurer is elected by our central committee.

Senator FLETCHER. He is not necessarily always the Comptroller of the Currency?

Mr. WILLIAMS. I am appointed by the President as a member of the central committee of the American Red Cross as representing the Treasury Department; and it has been, I think customary and, perhaps, provided by the regulations of the Red Cross, that the man whom the President nominates as the representative of the Treasury on the central committee should be the treasurer. It is, anyhow, the custom to elect him the treasurer of the Red Cross.

The CHAIRMAN. We will suit your convenience, Mr. Williams. We will suspend until to-morrow morning, or you may continue until 5 o'clock.

Mr. WILLIAMS. I should like, with your permission, gentlemen, to read you a letter which I addressed on June 25, 1919, to Hon. Robert L. Owen, of the Banking and Currency Committee, United States Senate:

MY DEAR SENATOR: At a hearing before the Banking and Currency Committee of the United States Senate on February 19, 1918, on the question of the confirmation of my nomination by the President as Comptroller of the Currency, Senator Weeks read to the committee certain "resolutions" alleged to have been passed by certain "associations," which he said he had received, which criticised severely my administration of the office, and expressed strong approval of Mr. Weeks's opposition.

The Senator refused to read in my presence the name of either of the two "associations" by which he said these alleged "resolutions" had been passed, until he learned that I was in a better position to check his statements than he supposed me to be. He then admitted in response to questions from me that the first resolution which he had read was from the Clearing House Association of Lexington, Ky., and he confided to the committee that the other resolutions had been passed by the Clearing House Association of Winchester, Ky., though he cautiously tried to conceal from me the name of this other town whose "clearing house" it was falsely claimed had passed the resolutions which he, Senator Weeks, had read into the record.

I now respectfully ask your attention to a letter which this office has just received from a national bank examiner in Kentucky, which shows that the so-called "resolutions" purporting to have been passed by the "clearing house association" of Winchester, Ky., were a gross imposition upon the Senate committee, for not only were no such resolutions passed by the clearing house association of Winchester but as a matter of fact there is no clearing house association at Winchester, and never has been, and the alleged "resolutions" were concocted by two junior local bank officials, apparently at the instance or influence of some person or persons whose identity has not yet been disclosed, without the knowledge or approval of the presidents and directors of the national banks whose attitude they thus deliberately misrepresented in their attempt to deceive the Senate committee and injure me.

The national bank examiner in the letter referred to says:

"During a regular examination of the Citizens National Bank of Winchester, Ky., commenced on June 11, 1919, the following facts developed which I think should be called to your attention:

"My assistant, G. K. Burrows, handed me the cash items and bank clearings for my inspection. I asked the cashier, W. T. Pynter (who is not a director in the bank) at what time the "clearing house" met, as I wished to present these items on the other banks in the same city for collection and verification. My Pynter said there was no clearing house in the city of Winchester and never had been. I asked him then why it was that certain resolutions had been represented as having been passed by 'the clearing house association at Winchester, Ky.,' requesting the United States Senate not to confirm the nomination of Mr. Williams as Comptroller of the Currency. He became greatly confused and then explained that 'he and Hampton'—Hampton is a teller of the Clark County National Bank at Winchester—'had gotten together' and had those alleged resolutions reported as passed by a clearing house association that he admitted had never existed, because he said he had gotten tired of making out the detailed reports called for from Washington and added rather excitedly that he was a Republican anyhow.

He exonerated President Simpson and Vice President Gardner and Director Scobie, who just then were assembling for their regular monthly meeting, from having had anything to do with the "resolution," and in my presence they all spoke up and informed me that they knew nothing whatever about the alleged resolutions and did not approve of them. Mr. Pynter said that he copied his so-called "resolution" from the one passed by the Lexington (Ky.) Clearing House Association.

On the following day I commenced an examination of the Clark County National Bank, the only other national bank in Winchester, and Mr. R. F. Taylor, the cashier, informed me that he was away from home at the time that this resolution was alleged to have been passed; that there was no clearing house association in Winchester, Ky.; that he was sorry such a thing should have happened and that if he had been at home at the time it could not have happened. President Goff and Director Barrow of this bank also stated that they knew nothing of any such action, nor did they approve of it. * * *

I have yet my first bank to examine in which the directors disapprove of the management of the comptroller's office, strict examinations, or to the details asked for in your public reports. On the contrary, directors want the information themselves,

and in almost every instance the objections come from minor officers or clerks who have to make the reports out, and, like everything else that is done well, this requires care and accuracy.

Comment upon such a disgraceful attempt to deceive and impose upon a committee of the United States Senate seems superfluous.

Now, as to the resolutions of the Lexington Clearing House Association:

As a prelude to Senator Weeks's introduction of these two alleged Winchester and Lexington "Resolutions" he made the following statement to the Senate committee:

"I have not had a communication with a national bank, as far as I can remember, for five years—having been a national banker and being on this committee I have had a great many communications—I have not had a single word that I recall which has not been critical of the comptroller."

That statement was made by him deliberately, and the record shows that in making it he uttered an untruth. For at the very time he made the statement above quoted he had in his possession, freshly received, a communication dated February 14, 1919, from the president of the largest and strongest national bank in Lexington, and former president of the Kentucky Bankers Association, which not only was not critical of the Comptroller of the Currency but which, written without the comptroller's knowledge or solicitation, vigorously protested against Mr. Weeks's opposition to the nomination and strongly commended, not in only a "single word," but at length, my administration of this office.

The writer of that letter said to Mr. Weeks, among other things, in a way which must necessarily have impressed the letter upon the latter's ordinarily alert memory:

"I notice that you strongly oppose the confirmation of Comptroller Williams for reappointment on the ground that he is arbitrary and technical, and altogether unsatisfactory to the bankers of the country. I wish to say that I have been employed in this institution for upward of 40 years. During that long time I have seen many comptrollers come and go, and I am frank to say that it is my deliberate judgment that no more capable man has ever occupied the position. * * *

"He has imposed no conditions which this bank could not readily comply with, and so far as I am concerned the more nearly my bank is compelled to comply with the provisions of the national banking act, the better I am pleased. * * *

"A comptroller who requires compliance with its provisions, both as to the letter and spirit of the act, is the kind of comptroller I should like to see there all the time, and this I know Mr. Williams to be. * * *

"I would like to say that I am a rock-ribbed McKinley Republican and always expect to be * * * so that you will readily see that nothing political could have influenced me to presume to write this letter * * * but being firmly convinced of his value as a public servant I have determined in this way to register my protest against the effort to defeat Comptroller William's confirmation."

That Mr. Weeks, in view of this emphatic record, should, for the purpose of injuring or discrediting the comptroller, have made a statement so untrue is somewhat surprising. It was hardly to be supposed that a United States Senator would allow his groundless antagonism to one who has done him no wrong to impel him to attempt to deceive his colleagues on a Senate committee by an assertion so unjustifiable and so false.

The CHAIRMAN. What is your evidence that Senator Weeks had possession of that letter at the time he made that statement?

Mr. WILLIAMS. I will come to that, Senator. (Continuing reading):

It was a few minutes—

I am glad you asked that question, Senator, right there, because I can answer it immediately.

It was a few minutes—

not a few days—

a few minutes after Mr. Weeks had declared to the committee that he did not recall "a single word which has not been critical of the comptroller" among the many letters he claimed to have received, that he sought to put into the record, anonymously, the alleged resolutions from the "clearing house" of Lexington and Winchester. After he discovered that something was known of these so-called resolutions, one of which has now been shown to have been a "fake," and after the comptroller had read a letter from the president of the national bank in Lexington referred to, regarding

the letter which that official had written Mr. Weeks remonstrating against his opposition to the comptroller's confirmation, Mr. Weeks then, and then only, apologetically stated to the committee:

"Well, Mr. Chairman, I have a memorandum of Mr. Stoll's letter to me, which, in justice to Mr. Williams, I was going to mention, because I noted that it came from Lexington, Ky."—

The CHAIRMAN. He produced the letter.

Mr. WILLIAMS. He did not produce it, Senator.

The CHAIRMAN. He told the committee he had one letter commending you?

Mr. WILLIAMS. Not until after I brought this matter out.

The CHAIRMAN. After you brought out the matter of the resolutions adopted by the clearing houses?

Mr. WILLIAMS. Yes, sir.

Senator FLETCHER. He then called attention to the letter that he had received from the bank?

Mr. WILLIAMS. He had said, Senator, "I have never received a letter that was not critical of the comptroller." And then I brought out the correspondence with Lexington, and after I had brought out the fact that this letter was from Lexington, then he made that statement—"I was going to call attention to it." But it was after he said that he had never received a letter that was not critical of the comptroller.

The CHAIRMAN. Had you given to the committee this letter from the banker?

Mr. WILLIAMS. I am coming to that now.

The CHAIRMAN. Before Senator Weeks called the attention of the committee to the fact that he had one letter?

Mr. WILLIAMS. He had denied that he had received any communication that was not critical.

The CHAIRMAN. Yes.

Mr. WILLIAMS. Then I drew attention to the facts. I think Senator Fletcher asked, "Is that from Lexington, Ky.?" Do you recall, Senator?

Senator FLETCHER. Yes; I do.

Mr. WILLIAMS. And then Senator Weeks—the testimony is here, and I would be very glad to read that in right here if you would like.

The CHAIRMAN. Oh, no; go ahead. If the record shows this, there is no use in continuing it any further.

Mr. WILLIAMS (continuing reading):

That was the only reference Mr. Weeks made to the letter he had just received, protesting against his continuing his opposition, and commending so warmly the work and administration of the office of the Comptroller of the Currency, and as he closed his testimony without producing that letter the comptroller subsequently submitted to the committee a copy of that letter to Mr. Weeks which the Senator had so recently received and which he admitted he had "noted" as coming from "Lexington," and which was, therefore, fresh in his memory at the time he falsely claimed he could not recall "a single word that was not critical of the comptroller."

The matter of a single letter of course is not important of itself. In this instance, however, this letter taken with the circumstances connected with it has serious significance. It seems to prove that Mr. Weeks's memory fails to function efficiently on points favorable to my fitness to be comptroller, but it is vividly retentive of every scrap of anonymous suggestion or bit of floating fretfulness he can gather to support his contention that the comptroller is as he charged, "temperamentally unfit." It suggests that even he may doubt the value of opinion based on rejection of the evidence of one side and inflation of that on the other side. It indicates that such opinion was entitled to little weight even aided by the dignity of a senatorship from Massachusetts and can not command much respect even by the pathos of its expression

as a "Swan Song," as the now ex-Senator described his fervent appeal before the Senate committee, preceding his retirement, by request of his constituents.

In the light of this incident, as set forth in the official record, the statement made by Mr. Weeks before the committee, and which is quoted above, that he had received "a great many communications" criticizing the Comptroller of the Currency, calls for corroboration, particularly in view of my direct challenge to him before the Senate the Senate committee to produce every letter and every complaint which had ever reached him in criticism of the comptroller, and the late Senator's apparent inability to produce anything to show the slightest foundation for his vaunting assertions.

As a matter of fact, despite his malevolent efforts to discredit or injure and his anxiety to give to his protest all the force that he could summon, it appears by the record that he was able to bring before the committee only two letters of criticism from all the 7,800 national banks and 20,000 executive officers of such banks, one of which he admitted was anonymous—from a man whose name he did not know, and who, it might be inferred, was too cowardly to communicate with him directly. The other letter which he read to the committee was, he said, from a "banker"; but the only objection that banker gave to my administration was based upon certain recommendations made in the comptroller's annual report to the Congress—with especial reference to limitations advocated by the comptroller upon a national bank's loans to its own officers and directors.

Those two letters, supplemented by a few newspaper articles furnished by a discredited local bank official, with whom it appears Mr. Weeks was collaborating and who had planned a paid-for propaganda against the comptroller's office, have furnished largely the basis for his unjust and invidious attack.

I feel it my duty to bring these facts before you for your own information and for the information of the Senate committee, which has been so grossly imposed upon.

Faithfully, yours,

JNO. SKELTON WILLIAMS.

The CHAIRMAN. You do not know what knowledge Senator Weeks had of the genuineness of these resolutions?

Mr. WILLIAMS. I do not. I have given you the facts within my knowledge in the statement in that letter, sir.

The CHAIRMAN. You do not intimate that he knew—

Mr. WILLIAMS. I do not know what he knew about them. I knew he stated that he was unwilling to give the name of the other association there. That testimony in the record will show that he made that statement.

The CHAIRMAN. You said that one was a fake; and then you did not complete your statement with regard to the other.

Mr. WILLIAMS. The other one—you mean Lexington?

The CHAIRMAN. Yes.

Mr. WILLIAMS. By your leave I will read this letter.

The CHAIRMAN. Can you not abbreviate it, Mr. Williams?

Mr. WILLIAMS. It is not long, Senator. It bears directly upon it.
[Reading:]

TREASURY DEPARTMENT,
Washington, March 25, 1919.

Mr. J. R. DOWNING,
Vice President and Cashier
Phoenix & Third National Bank, Lexington, Ky.

DEAR SIR: I have your letter of the 21st instant, acknowledging receipt of copy of my letter of March 1 to Representative McFadden and of a memorandum containing excerpts from testimony before the Banking and Currency Committee of the Senate. You inform me that you were "an active applicant for the position of Comptroller of the Currency" at the time I first received my appointment as comptroller; that you are not at this time president of the Lexington Clearing House Association, and were not in the State at the time that the clearing house association passed a resolution condemning my administration of this office. But you add, "in view of the delicate situation in which I (you) would have been placed I (you) might add that should I (you) have been present at the meeting I (you) would have asked to be excused from voting," and you ask me to "accept this explanation in the spirit in which it is sent."

I was not aware that you are or had been the president of the Lexington Clearing House Association, nor had it been brought to my notice that you are vice president and cashier of the Phoenix & Third National Bank, but now that you remind me of it. I do recall that you were "an active applicant for the position of Comptroller of the Currency at the time you (I) were first appointed."

The McFadden letter to which you referred was mailed by my authority to the presidents of several clearing house associations, listed as such, and you were included in that way.

The resolution which was adopted by the Lexington Clearing House Association (only one other national bank in addition to your own, as I understand it, voting in favor of it) declared "that this association would regard the confirmation of the nomination of Mr. Williams unfortunate for the banking interests of the United States for the reasons that there exists, whether justly or unjustly, great antagonism between Mr. Williams and the banks of the country, and great dissatisfaction with the manner and method of the administration of his office" * * *

Referring to the meeting at which the above resolution was offered you now inform me that "in view of the delicate situation in which you (I) would have been placed I (you) might add that should I (you) have been present at the meeting I (you) would have asked to be excused from voting."

I assume from this statement of yours that you approve of the "great antagonism" directed against this office and the "great dissatisfaction with the manner and method of the administration" of this office, asserted by that resolution, for otherwise I assume that recognizing the injustice of such a declaration you would have been quick to denounce it and to vote in opposition to it, as did, I understand, all the national banks in Lexington other than your bank, with but a single exception.

Neither you nor your clearing house association have pointed out what actions of this office or what methods have caused the "great antagonism" and "great dissatisfaction" which your clearing house association claims existed.

If agreeable to your clearing house association, I should be interested to see a copy of the letter to ex-Senator Weeks which conveyed to the latter the copy of the resolution presented by Mr. Weeks to the Senate committee, if you will furnish it. The letter of transmittal was not presented by the ex-Senator to the committee, and he furthermore concealed the identity of the clearing house association which he said had passed the resolutions until when challenged by a Senator he learned to his apparent surprise that their origin had been uncovered and he then admitted that they came from Lexington.

I think I can understand that in conservative and established communities like Lexington and Winchester personal relationships are strong and chagrin for the defeat of the entirely proper aspirations of an enterprising and respected citizen, as I have no doubt you are, is yet alive even after six years. Of the boards of directors of more than 28,000 banks, trust companies, and clearing house associations in the country, none but the boards of those two clearing house associations, as far as I am advised, have adopted resolutions or taken any action against the present comptroller. I could not imagine the reason for the apparent antagonism until reminded by you of your former candidacy for the place I hold.

Probably it did not occur to the gentlemen who adopted these resolutions that in undertaking to show their zealous friendship for you they were doing me an injustice and doing what they could to injure me, although I had done them no harm, given them no cause of offense and was not even personally responsible for my own appointment. I hope, for their own sakes, they did not consider their action very carefully nor stop to realize the unpleasant position in which it placed them.

Allow me to say in conclusion that, unlike yourself, I have never been "an active applicant for the position of Comptroller of the Currency," or any other kind of an applicant for this or any other office. As a matter of fact, I declined this office when I was first honored by having it tendered to me, but when offered the second time, five years ago, I accepted it in the hope that my experience and services might be of some value to an administration which it was my earnest desire to aid in any way I could.

Yours, very truly,

JNO. SKELTON WILLIAMS.

In conclusion, Mr. Chairman, with your permission, as on the per contra of these two resolutions, one the fake resolution from Winchester and the other the resolution passed on the vote of two national banks with the assistance of State banks at Lexington, I would like to read to you this letter that came to me through the mail.

The CHAIRMAN. Do you want to go on in the morning?

Mr. WILLIAMS. I will finish this and dispose of this particular subject.

The CHAIRMAN. Do you want to go on in the morning?

Mr. WILLIAMS. What is your pleasure, Senator?

The CHAIRMAN. It is for the committee to say.

Mr. WILLIAMS. In view of the fact that as I understand it you will probably want to take up the reply to Mr. Hogan to-morrow, or the next time you go on, it might be well to wait until day after to-morrow to give me a little time. I have not had a printed copy of the testimony until a few minutes ago. If it is agreeable to the committee I would appreciate it if you would let it go over until Friday.

I will close with a very short letter. I am going to take the liberty of simply laying before the committee this letter and a couple of telegrams—

The CHAIRMAN. I suggest that you put these in without reading them, Mr. Williams.

Mr. WILLIAMS. It will only take me about two minutes, Mr. Chairman. [Reading:]

Mr. Festus J. Wade, president of the Mississippi Valley Trust Co., of St. Louis, which is now one of the largest if not the largest trust company in the West, has furnished me the following copy of a letter addressed by him voluntarily, to a member of the United States Senate:

"I am closing the twentieth year in the banking business. During that period of time I have given a great deal of attention to matters financial, in a national way. As a member of the Currency Commission of the American Bankers' Association, as president of the Mercantile National Bank, and as president of the St. Louis Clearing House for two years, it was within my province to have an intimate acquaintance with the four gentlemen who held the position of Comptroller of the Currency during that period, namely, Messrs. Eccles, Ridgely, Murray, Williams.

"I can unhesitatingly say, without casting any reflection on the other gentlemen, that the Hon. John Skelton Williams has made the most efficient comptroller of all of the above that preceded him.

"If this were merely a personal opinion that could not be borne out by facts, then it would be regarded as an ordinary letter of commendation, but the underlying principle, the fundamental principle upon which the office of the Comptroller of the Currency is based is to avoid failures, pursue the dishonest or incompetent, and to protect the depositor and stockholder of the national banking system. This John Skelton Williams has done to a superlative degree, but in doing so necessarily made enemies, who are not only unjust but venomous in their opposition to his confirmation.

"Knowing you as I do, and feeling certain that you want to do justice above all things, I beg of you to look into Mr. Williams' record carefully and analytically, and if you do I feel confident your sense of justice will impel you to vote for his confirmation.

"I am writing this letter without the knowledge or consent of Mr. Williams and to show that it is not a new thought I send you a copy of a telegram which I sent Mr. Williams last February:

"If there be any doubt about your confirmation I would be pleased to go to Washington to testify you made the best comptroller during my 20 years experience."

"The whole and sole purpose of my writing to you is to see that justice is done to a conscientious, painstaking, hard-working public official.

"With kind regards.

"Yours very truly,"

Senator CALDER. Is that gentleman one of the governors of the Federal reserve bank?

Mr. WILLIAMS. I think he is not, Senator.

I will also take the liberty of reading the inclosed copy of a telegram which was forwarded to me from St. Louis. It appears to have been addressed to a member of the Senate. It says:

ST. LOUIS, *July 2, 1919.*

We strongly recommend John Skelton Williams for confirmation as comptroller and do hope you will vote for him.

WALKER HILL,

President, Mechanics-American National Bank.

EDWARD B. PRYOR,

President, State National Bank.

F. O. WATTS,

President, Third National Bank.

JOHN G. LONSDALE,

President, National Bank of Commerce.

N. A. McMILLAN,

President, St. Louis Union National Bank.

BRECKENRIDGE JONES.

I would say that the resources of those particular institutions aggregate, I think, approximately \$350,000,000 and the telegram includes among its signers two former presidents of the American Bankers' Association.

I thank you.

The CHAIRMAN. The committee will adjourn until Friday morning at 10 o'clock.

(Whereupon, at 5.03 o'clock p. m., the committee adjourned until Friday, July 18, 1919, at 10 o'clock p. m.)



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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY,
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 5

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, JULY 18, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met pursuant to adjournment, at 10.10 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean, presiding.

Present: Senators McLean (chairman), Page, and Gronna.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Hon. John E. Laskey, United States Attorney for the District of Columbia; and others.

The CHAIRMAN. The committee will be in order.

STATEMENT OF HON. JOHN E. LASKEY, UNITED STATES ATTORNEY FOR THE DISTRICT OF COLUMBIA.

Mr. LASKEY. Mr. Chairman and Senators, I am the United States Attorney for the District of Columbia, and have been such since October, 1914. I was district attorney all during the year 1915, and as district attorney signed the indictment in the case of the United States against Charles G. Glover, William J. Flather, and H. H. Flather.

Mr. Williams, through Mr. Adkins, spoke to me about the fact that Mr. Hogan testified in the hearing, and that he would like to have me come up and hear what Mr. Hogan had to say. I told Mr. Adkins that I was not particularly interested in what Mr. Hogan might say, and that I could not come, but that I knew it to be a fact that Mr. Williams did not influence the bringing of the indictment, or attempt to influence the bringing of the indictment, or to control its disposition after it was brought, and if he wanted those facts to appear of record I was perfectly willing to come up here and state them as facts. I saw Mr. Williams in the hall the day of the President's appearance before the Senate, and told him the same thing. He told me he would like to have me come, and as a consequence, I think, he told the chairman to ask me to come, and I am here.

The indictment against the three defendants was predicated upon the fact that in the equity cause which was pending before Mr. Justice McCoy an affidavit was filed by the defendants known as the Wesley Bennett affidavit, which contained as part of it a transcript of the record of the transactions had between the Riggs National Bank and the brokerage firm of Lewis Johnson & Co.

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When counsel for the defendants was about to read that affidavit there was objection made on the part of counsel for the Riggs bank, who said they had not been served with a copy of it, and they objected to its being read. Explanation was made as to why they were not served with a copy, and the court said he would hear the affidavit and give counsel an opportunity to reply thereto.

Next day the plaintiffs, through Senator Bailey, produced an affidavit, and stated that it was filed in answer to the affidavit of Wesley Bennett. He did not say that in words, but that was the substance of it. I have a copy of that affidavit.

Senator PAGE. May I ask if we are to take up this Glover fight here further in regard to this case?

Mr. LASKEY. I do not know to what extent you want me to go into it.

Senator PAGE. That is the point. To what extent do you expect to go into it?

Mr. LASKEY. I want to go into it to the necessary extent to show that Mr. Williams did not endeavor to influence the bringing of this indictment, that he did not influence the bringing of it, and did not attempt to control it after it was brought.

Senator PAGE. Are you sure you can prove a negative of that kind?

Mr. LASKEY. So far as I am concerned; yes, sir.

Senator PAGE. You mean so far as you are concerned you have no knowledge.

Mr. LASKEY. I do not purport to speak for others.

Senator PAGE. You do speak for others when you say you know no influence was brought.

Mr. LASKEY. On me; yes.

Senator PAGE. You qualify it in that way?

Mr. LASKEY. Certainly. I was only intending to speak that far.

That affidavit stated that "the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time, from its organization to the present, ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bank or firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock or made short sales, those entries are false.

At the time the affidavit was read, or the day after it was presented, it was called to the attention of the court that it was a serious matter, that it presented a direct contradiction between the two affidavits, and either one was false or the other was false.

After the argument of the case was over, the court, Mr. Justice McCoy, spoke to me about that affidavit, and stated that in his opinion it was a matter to be presented to the grand jury. There was an investigation made, the records of the bank were searched to trace the stock transactions referred to in the Wesley Bennett affidavit, and the results of those investigations were communicated to me. It was my duty, of course, to consider whether or not that affidavit was false, and whether it was willfully false. I conferred with the then Attorney General, Mr. Gregory, and in an interview I had with him, at which no one was present but him and myself, he stated that it was

for us—that is, himself and myself—to determine whether or not the matter should be presented to the grand jury, and that he would rely upon my judgment, after an investigation of the facts, as to whether or not the affidavit was false, and willfully false.

I made such an investigation, and told him that in my opinion it was willfully false. He told me then to proceed as I would in any other criminal case, and said that if I needed any assistance from the department he would give it to me. I told him I would like to have Mr. Fitts participate in the case, and he said he would assign him to it.

The matter was presented to the grand jury and the grand jury presented the defendants.

The CHAIRMAN. Who testified before the grand jury?

Mr. LASKEY. I can not from memory tell you all the witnesses. Mr. Ailes was a witness, Mr. Trimble was a witness, Mr. Sherrill Smith was a witness—

The CHAIRMAN. Did Mr. Trimble represent the comptroller?

Mr. LASKEY. No, sir. He was a witness as to facts.

The CHAIRMAN. He was an examiner?

Mr. LASKEY. Oh, yes; he was an examiner.

The CHAIRMAN. From the comptrollers's office?

Mr. LASKEY. So was Mr. Smith. Mr. Lammond, Miss Sheehy, the clerk in Mr. Hogan's office, before whom the affidavit was made; clerks from the clerk's office of the Supreme Court of the District who produced the papers; and the stenographers who had taken the record of the proceedings.

The CHAIRMAN. Did you know at that time that the affidavit was drawn by Mr. Hogan?

Mr. LASKEY. That it was drawn by him?

The CHAIRMAN. Yes.

Mr. LASKEY. Yes, sir.

The CHAIRMAN. And you had heard his explanation?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. Notwithstanding that you thought that it was willful?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. On the part of the officers?

Mr. LASKEY. Yes, sir. And I was led to that conclusion by the fact that these officers must have had an object in stating that Riggs National Bank had not bought stocks or sold stocks through Lewis Johnson & Co. If I may be permitted to say, it has been stated—I read last night in Mr. Hogan's testimony—that for the convenience of Lewis Johnson & Co. there was an account carried on the books in the name of the Riggs National Bank. The transactions purporting to be upon that stock ledger were bona fide transactions with the Riggs National Bank, and with no one else, because the order was received by Lewis Johnson & Co. from the Riggs National Bank upon the day of a purchase. At the close of the day they reported to the Riggs National Bank "We have bought for your order," specifying the stock and the price, and received credit upon its bank book with the Riggs National Bank for the amount of the purchase. And when there were stocks sold, the facts were the reverse. Of course, Lewis Johnson & Co. would notify the Riggs Bank that they had sold stock for their order and their account and their risk. When

they received the shares of stock so sold, they would transmit a check.

The CHAIRMAN. All that is a matter of record, is it not?

Mr. LASKEY. Oh, yes; it is all a matter of record. I said that these officers must have known that these were transactions of the bank, and that they had an object to conceal the fact that the bank had so dealt in stocks, which, to my mind, was evidenced by the fact that some of the officers made a profit out of those transactions.

Senator GRONNA. Were you convinced, Mr. Laskey, that the officers individually made a profit out of it?

Mr. LASKEY. Yes, sir.

Senator GRONNA. It has been stated, if I am not mistaken, that all these profits ultimately went back to the bank. Did you go into that phase of it?

Mr. LASKEY. Yes, sir. For years they had what they called a "commission account," and the bank charged a commission for every sale or every purchase, and into that commission account went those commissions. Afterwards, when they transferred from the commission account to the Glover-Flather account those commissions were made to that account. There was a transaction in 1911, in which the bank ordered the purchase of 140 shares of stock. It was bought on that day, and the bank was notified of the purchase. A few days later 30 shares of the stock were allotted to a gentleman whose name I do not recall. The other 110 shares of stock remained with Lewis Johnson & Co., and they were sold some 8 or 10 days after that at a profit of \$705. That profit was turned into the Glover & Flather account.

One of the officers of the bank, H. H. Flather, would make a profit for himself out of the transactions of the bank. For instance, if a customer of the bank ordered the purchase of a given number of shares, say 10 or 100 shares of stock of a particular corporation, that order was sent to Lewis Johnson & Co. If that stock went up the same day, there was a selling order put in to close out that purchase, and another purchase was made, the customer was given the second purchase, and the profit derived from the first was paid to Mr. H. H. Flather.

The CHAIRMAN. What is your authority for that statement?

Mr. LASKEY. The evidence in the case.

The CHAIRMAN. Did the court so find? That is a conclusion you drew from the evidence?

Mr. LASKEY. That was the proof in the case.

The CHAIRMAN. That is a conclusion you drew from the testimony in the case?

Mr. LASKEY. It is a fact established by the evidence in the case.

The CHAIRMAN. You say the court did not find any such fact?

Mr. LASKEY. No; the court never finds a matter of fact.

The CHAIRMAN. The jury acquitted the accused?

Mr. LASKEY. Oh, yes; of course.

The CHAIRMAN. I think you can answer my question.

Senator PAGE. I do not quite catch that. He says, "of course." I would like to get the measure of those two words.

Mr. LASKEY. I say it is not a matter of dispute or question that the jury acquitted the defendants.

Senator PAGE. You say as a matter of course they acquitted them. What does that mean?

Mr. LASKEY. Oh, no; I did not say that.

The CHAIRMAN. Mr. Adkins testified that all of these profits, whatever they were, were ultimately turned over to the bank.

Mr. LASKEY. No; not those profits.

Senator PAGE (to the stenographer). Please read those words spoken by Mr. Laskey.

(The stenographer repeated the proceedings as follows:)

The CHAIRMAN. The jury acquitted the accused?

Mr. LASKEY. Oh, yes; of course.

Senator PAGE. I asked what the words meant. You were asked if the jury acquitted the accused, and you said, "Oh, yes; of course."

Mr. LASKEY. I had no sinister or hidden meaning in that, or anything of that sort. I merely meant that it is not a matter of dispute that the jury acquitted the defendants.

Senator PAGE. I did not suppose you could say that as a matter of course the jury had committed a crime.

Mr. LASKEY. The jury had what?

Senator PAGE. Had committed a crime, and as a matter of course acquitted a man.

Mr. LASKEY. No; I do not say that. I do not mean any such thing as that.

Senator GRONNA. It is a matter of record that the jury acquitted them, and of course you used that language.

Mr. LASKEY. Yes.

The CHAIRMAN. I want to know whether the statement about that stock transaction is the witness's conclusion, or whether there is any support for it in the record?

Mr. LASKEY. Yes; there is support for it in the record. If you want the record of the criminal case, the facts established by the evidence, which were not disputed, will show that to be the fact.

The CHAIRMAN. The verdict of the jury was conclusive as to the facts in that criminal case, was it not?

Mr. LASKEY. Oh, yes.

The CHAIRMAN. So you are stating the opinion which you arrived at?

Mr. LASKEY. No. The finding of the jury that the defendants were not guilty would not mean that they did not find that these officers made a profit out of it. There was evidence introduced in the case for the purpose of showing the motive on the part of the defendants for falsely swearing.

The CHAIRMAN. I do not think it is worth while to continue that, unless you give your authority for your statement. You may proceed.

Mr. LASKEY. I merely want to say—perhaps I have already said it—that so far as I know, Mr. Williams did not attempt, directly or indirectly, to influence the bringing of the indictment, or to control it after it was brought.

The CHAIRMAN. He sent his examiner to appear before the grand jury?

Mr. LASKEY. Of course he did that, because I wanted him there, and if he had not sent him, I would have subpoenaed him.

The CHAIRMAN. He was an important witness, I assume?

Mr. LASKEY. He was.

The CHAIRMAN. Mr. Williams was not there, of course?

Mr. LASKEY. No, sir. The bank examiners were sent into the bank to ascertain the facts in reference to these stock transactions.

The CHAIRMAN. And it was upon their report that the indictment was found?

Mr. LASKEY. No; not upon their report that the indictment was found. The indictment was found upon the testimony of the witnesses who appeared before the grand jury, and those bank examiners were among the witnesses.

The CHAIRMAN. They were the important witnesses, were they not?

Mr. LASKEY. Yes, sir; they were.

The CHAIRMAN. When did Mr. Untermeyer come into the case?

Mr. LASKEY. Mr. Untermeyer was never in the criminal case.

The CHAIRMAN. He never was associated with you in this matter in any way?

Mr. LASKEY. No, sir.

The CHAIRMAN. Never conferred with you in any way?

Mr. LASKEY. About the criminal case?

The CHAIRMAN. Yes.

Mr. LASKEY. No; I can not say that he did. Of course, at the time that the affidavit was filed, the time of the hearing of the civil case, there was discussion about the affidavit, and whether or not it was false, and whether or not it was willfully false, and he participated in those discussions.

The CHAIRMAN. He was present when these affidavits were discussed?

Mr. LASKEY. Oh, yes.

The CHAIRMAN. And the question was raised as to whether they were willful or not?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. Did you consult with Mr. Williams about that?

Mr. LASKEY. No, sir.

The CHAIRMAN. You never had any conference with him at all with regard to the case?

Mr. LASKEY. No, sir; except that he was present at a conference, the first one had, at the Attorney General's office, a day or two after that affidavit was filed.

The CHAIRMAN. He was, then, present at the Attorney General's office?

Mr. LASKEY. Yes, sir. But that was not the time that the question of whether or not the case should be presented to the grand jury was discussed. It was months after that.

The CHAIRMAN. After the indictment was found Mr. Williams was present in the Attorney General's office and the case was discussed?

Mr. LASKEY. No, sir; I did not say that. It was a day or two after the affidavit was presented in the civil case that there was a meeting at the Attorney General's office at which Mr. Williams was present.

The CHAIRMAN. That was before the indictment was found?

Mr. LASKEY. Oh, months before. That was in the month of May, and the indictment was found in the month of October.

The CHAIRMAN. So that months before the indictment was found, or any criminal proceedings were begun, Mr. Williams was present in the Attorney General's office with you?

Mr. LASKEY. Yes; I was there. Not with me alone, but there were others there.

The CHAIRMAN. Discussing the civil proceedings entirely?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. What occasion had you to go to the Attorney General's office to discuss the case brought by the bank against the comptroller?

Mr. LASKEY. I will amend my previous answer about it being in regard to the civil case entirely. It was in reference to discussing the affidavit which was filed in the civil case. I had occasion to go there because the Attorney General had a meeting there that morning, and requested me to be present.

The CHAIRMAN. What did Mr. Williams say at that meeting?

Mr. LASKEY. I do not recall all that he said. I do recall that he was not a very particularly active participant in the meeting. I am quite sure he expressed his conviction that the affidavit was false, and willfully false.

The CHAIRMAN. If he possessed that conviction, he recommended prosecution, did he not?

Mr. LASKEY. No, he did not.

The CHAIRMAN. He merely told the Attorney General that he thought these officers were guilty of perjury?

Mr. LASKEY. I can not say that he told the Attorney General. We were all there, just as you gentlemen are around this table, and he expressed, as I recall it, that he was of the opinion that it was willfully false.

The CHAIRMAN. He expressed the opinion that it was willfully false, and you were discussing then the propriety of bringing criminal proceedings?

Mr. LASKEY. No, sir; we were not discussing the propriety then of bringing criminal proceedings, but to some extent—

The CHAIRMAN (interrupting). What were you there for?

Mr. LASKEY (continuing). It was under discussion. Yes; to some extent, it was under discussion.

The CHAIRMAN. What else were you discussing there?

Mr. LASKEY. The entire civil case, which was then under discussion.

The CHAIRMAN. You went to the Attorney General's office to discuss the civil case?

Mr. LASKEY. The civil case, and the effect of this affidavit; yes, sir.

The CHAIRMAN. And Mr. Williams was there and expressed the opinion that it was willful perjury?

Mr. LASKEY. Yes, sir; that is my recollection.

The CHAIRMAN. And yet you want the committee to understand that he had no control over your actions in the matter?

Mr. LASKEY. I certainly do.

The CHAIRMAN. I think that is all.

Senator GRONNA. Before you proceeded with this prosecution, Mr. Laskey, did you get any information from the official records of the bank, or was your information obtained solely through the examiners and through Mr. Williams?

Mr. LASKEY. We got information from the official records of the bank.

Senator GRONNA. Through whom?

Mr. LASKEY. Mr. Milton Ailes produced a lot—that was before the grand jury—produced papers from the bank.

Senator GRONNA. Before you proceeded with this prosecution. Of course, that was before you would get to the grand jury. Of course, you would have to make up your mind before that?

Mr. LASKEY. Oh, certainly.

Senator GRONNA. You were satisfied, as I understood you, that this case should be taken before the grand jury, and that these men should be prosecuted for perjury?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. What were the facts? In other words, what led you to the conclusion that this affidavit was really false? Was it from the facts taken from the records, or was it from information furnished you by the men connected or associated with the office of the comptroller?

Mr. LASKEY. It was facts taken from the records; much of the information as to the records of the bank being furnished by the officers of the comptroller's office.

Senator GRONNA. Reports obtained by these officials?

Mr. LASKEY. Yes, sir.

The CHAIRMAN. I do not understand that there is any dispute that the records showed, and the comptroller had it, why the mistake was in the affidavit.

Senator GRONNA. I was rather anxious to know whether Mr. Laskey examined these records from the books, or whether it was from the reports made by these officials. Of course, it would make very little difference whether you conferred with Mr. Williams personally, or whether you conferred with his deputies, as to whether or not there was any influence brought to bear upon you.

Mr. LASKEY. I will say that there was no influence brought to bear. I sought to ascertain what the facts were, and, having ascertained what the facts were, and those facts being sufficient, in my judgment, to warrant the indictment of these men, I so reported to the Attorney General, and he directed me to proceed, and to treat the case as I would any other criminal case.

Senator GRONNA. Exactly. But from your opening statement one might understand—at least I understood—that you proceeded after having satisfied yourself from the records of the bank. Of course, it makes some difference whether those records are furnished by the office of the Comptroller of the Currency.

The CHAIRMAN. It is very important.

Senator GRONNA. Or whether they are obtained by yourself directly from the records of the bank. It may not be important to the rest, but it is to me.

Mr. LASKEY. I want to say that I satisfied myself, saw the bank book of Lewis Johnson & Co. on which they received credits on the days of these sales, for the sales; saw the checks of Lewis Johnson & Co. payable to the order of the Riggs National Bank when Lewis Johnson & Co. had made a sale of stock, bearing the indorsement of the Riggs National Bank. That is what I mean.

Senator GRONNA. But then did you follow that up to see where it ultimately led to?

Mr. LASKEY. Yes, sir.

Senator GRONNA. Who really at the end received the benefit of the transactions?

Mr. LASKEY. Yes, sir.

Senator GRONNA. I think that is all.

The CHAIRMAN. I think that is all, Mr. Laskey.

STATEMENT OF MR. WALTER P. RAMSEY, OF WASHINGTON, D. C.

The CHAIRMAN. State your name and occupation.

Mr. RAMSEY. Walter P. Ramsey, solicitor and general agent. Do you want me to give my office address?

The CHAIRMAN. Oh, no; just your full name and occupation. That is sufficient. I understand you desire an opportunity to make a statement this morning?

Mr. RAMSEY. Yes, sir.

The CHAIRMAN. You are at liberty to proceed.

Mr. RAMSEY. The only thing I care to dwell on is the statement of Mr. Poole. I have Mr. Poole's evidence in my hand here, and he states that I visited him for the purpose of soliciting a deposit for the Chatham-Phoenix National Bank of New York, with the understanding that if he gave the deposit I would see that he got a deposit of \$500,000 of the Emergency Fleet Corporation. That is the meaning of his testimony.

I want to say to you that I never in all my life visited Mr. Poole for that specific purpose. I never called on him for anything at any time. I have been in his bank on many occasions, and at this particular time that he speaks of—a date between November 7th and the 20th—it is possible that I was in his bank 15 or 20 times. I go in there nearly every week, and sometimes two or three times a week, and sometimes twice a day, because I know them all, and was associated with them all before the Federal National Bank was ever organized.

If my memory serves me right, I was in the bank, and Mr. Poole called me into his private office, which he frequently did, to ask me about my family and banking business, and I was in there, and the question of deposits came up, because he knew that I was interested in deposits, and this Fleet Corporation came up, and it was common knowledge—everybody knew—that they had a great deal of money that they were distributing around, and he asked me the question how he could get some of those deposits.

I said, "I don't know how you can get it. You can get it, I presume, just like the balance of the banks do."

He suggested to me, "It is common rumor here that if you deposit in the Phoenix-Chatham Bank you can get some."

I said, "Why don't you try it on, then?"

He just passed out, and it passed out of my mind. I never thought of it—never heard of it until he gave this testimony here.

I want to state emphatically that I did not make any such proposition as that to Mr. Poole, because I had no more to do with the deposits of the Fleet Corporation than you, Mr. Chairman. I did not attempt to control those, because I have never said a word to anyone connected with the Fleet Corporation for deposits, even for the bank which I represent, or any other. You can call every mem-

ber of the Fleet Corporation, from the messenger on up to the head of it, and not one of them will tell you that I ever mentioned such a proposition to them.

Here is one thing that I want to call you attention to. Mr. Poole states in his testimony here at the time I made that proposition to him he had on deposit at that time \$607,000. That is proof positive that I did not know that he had that deposit. He says he would not tell me. Of course I did not know it. Why should I promise him something that he had already?

Senator GRONNA. As I understand it, there is really no difference between you and Mr. Poole, except this, that you did not go there, as he stated, for this specific purpose?

Mr. RAMSEY. Absolutely not.

Senator GRONNA. But that you did discuss these matters?

Mr. RAMSEY. We did discuss those matters.

Senator PAGE. What is your official connection with the bank?

Mr. RAMSEY. With the Commercial National Bank?

Senator PAGE. Yes.

Mr. RAMSEY. I am, I guess, in the nature of an attorney. I never worked a day in the Commercial National Bank in my life.

Senator PAGE. You are not a director?

Mr. RAMSEY. No, sir. I attend to all their government business. I am a small stockholder, and my wife is a much larger one than I am.

The CHAIRMAN. Are you an attorney by profession?

Mr. RAMSEY. Well, yes. I have been admitted to practice before the Treasury Department. I served in the Treasury Department 16 years, in the accounting branch of the office of the Auditor for the War Department, was on the law board of the Auditor for the War Department for a number of years. I handled all of the Panama Canal matters when they first came up, when we took over the Panama Canal.

The CHAIRMAN. Do you have similar relations with other banks?

Mr. RAMSEY. Yes, sir.

The CHAIRMAN. In Washington?

Mr. RAMSEY. No, sir. I represent a New York bank that is engaged in foreign business.

The CHAIRMAN. What is the name of it, if you have no objection to giving it?

Mr. RAMSEY. The American Foreign Banking Corporation, of 56 Wall Street.

The CHAIRMAN. Is Mr. Bolling connected with the Commercial Bank?

Mr. RAMSEY. Which Mr. Bolling?

The CHAIRMAN. A Mr. Bolling.

Mr. RAMSEY. Yes. Mr. R. E. Bolling is president of the Commercial National Bank.

The CHAIRMAN. There is another Mr. Bolling, as I understand it, connected with the Chatham-Phoenix National Bank?

Mr. RAMSEY. No, sir; this is the same one.

The CHAIRMAN. Then you are attorney for Mr. Bolling of the Commercial Bank?

Mr. RAMSEY. No, sir; I am not an attorney for Mr. Bolling.

The CHAIRMAN. Or for the bank?

Mr. RAMSEY. I have been representing the Commercial National Bank since 1909, and was employed by Mr. John Poole himself when he was cashier of the Commercial National Bank.

The CHAIRMAN. But you are attorney for that bank?

Mr. RAMSEY. Yes, sir.

The CHAIRMAN. And the president of that bank is also the president of the Chatham-Phoenix bank?

Mr. RAMSEY. No, sir. He has not any connection whatever, so far as I know, with the Chatham-Phoenix Bank. He did at the time that Mr. Poole refers to in this matter here. He was vice president at that time.

The CHAIRMAN. At that time he was vice president of the Chatham-Phoenix Bank of New York?

Mr. RAMSEY. Yes, sir. Let me explain that word "attorney" for the Commercial National Bank. I looked after their departmental matters. They handle thousands of warrants, and represent banks all over the whole country.

The CHAIRMAN. As I understand it, you were running into the Federal Bank frequently?

Mr. RAMSEY. Oh, yes, yes, yes indeed.

The CHAIRMAN. You were very well acquainted with Mr. Poole?

Mr. RAMSEY. All of them were associated with me in the Commercial National Bank prior to the organization of the Federal National Bank, friends of mine.

The CHAIRMAN. I think that is all.

Senator PAGE. Since this hearing has commenced I have heard the word "Bolling" mentioned so many times that I have gotten a little mixed. Are there other Bollings connected with banks here in Washington? I suppose there are.

Mr. RAMSEY. No, sir; I think not. I believe that John Randolph Bolling writes the ads for the Commercial National Bank. But he has not any other connection with it. He has an office outside.

Senator PAGE. Have there been more than two Bollings connected with this bank in such a way that their names have come into the record?

The CHAIRMAN. I think there are three Bollings mentioned.

Mr. RAMSEY. Yes, sir.

Senator PAGE. Who is the third?

Mr. RAMSEY. Mr. R. W. Bolling. He is connected with the Shipping Board, or the Emergency Fleet Corporation.

Senator PAGE. Are they brothers?

Mr. RAMSEY. Yes.

Senator PAGE. That is all.

STATEMENT OF MR. SHERRILL SMITH, OF NEW YORK, N. Y.

Mr. SMITH. Mr. Chairman, my name is Sherill Smith. I am a national bank examiner. I have been asked, Senators, to speak of the closing of the First National Bank of Uniontown, Pa., that has been referred to at this hearing.

Early in January, 1915, I was in the city of Pittsburgh, on my way to Chicago, where I was chief national bank examiner, and I learned, either through John V. Thompson, president of the First National Bank of Uniontown, or through a Pittsburgh banker, that Mr.

Thompson and some of his associates were in Pittsburgh with a view to raising some money so that the First National bank of Uniontown could open for business on the following Monday morning.

At the request of Mr. Thompson and the Pittsburgh bankers, I attended several meetings in Pittsburgh in which various plans were discussed. In fact, I think we met all day Sunday, the day prior to the closing of the bank. Various matters were discussed in an effort to raise sufficient money for the bank to open on Monday, Thompson, the president of the bank, stating that unless the money was raised, the bank could not open.

At the same time, Mr. Hackney, cashier of the bank, and a director, several of the other directors, and one or two business men of Uniontown, were meeting in an office in Uniontown, and having failed to raise the money, or assist in raising the money in Pittsburgh, through Mr. Thompson's efforts, I got Mr. Hackney on the long distance phone in an effort to see what the directors of the bank, including Mr. Hackney, who were considered very wealthy, would do toward pledging any of their personal property to get money to put into the bank so that it could open. Those negotiations failed, Mr. Hackney, who was considered the wealthiest man in that he had his assets in the best shape, refusing to become liable to the extent, I think, of about \$200,000—it may have been \$300,000—that we were trying to get to put into the bank.

Negotiations were carried on until early Monday morning, and it was finally decided that a representative of the Pittsburgh banks would go to Uniontown—

The CHAIRMAN (interrupting). I just want to call your attention to the fact that where matters are not disputed and you are just relating proceedings which preceded the receivership, that are not disputed, I think it is not worth while to take up the time of the committee with them. The point, you know, that was of interest to the committee was whether, after the receiver was appointed, the assets of the bank were properly conserved, especially as to the disposal of the bank building. I just make that suggestion because I think that is the important point with the committee, not whether the bank was possibly improperly put into the hands of a receiver, but whether after that the assets of the bank were properly conserved.

Mr. SMITH. The reason I started the way I did was that I arrived here this morning, I was simply requested to state the details as to the closing of the bank, and I did not know what had gone ahead.

The CHAIRMAN. There is no dispute about that.

Mr. SMITH. At the time the bank closed I was appointed temporary receiver, and I would like to say right here that the bank was closed, or was not permitted to open, by the directors themselves.

At that time the bank's deposits were about \$1,400,000, possibly a million and a half, and of their assets \$976,000 was carried as a banking house. The banking house proper consisted of an eleven-story arcade office and apartment building. Situated on the same lot was an old opera house, which, if I remember correctly, was vacant, and included also in that property was a big building across the street used by a printing office, and a vacant lot—possibly I should say two or three lots—on which was erected the post office.

The CHAIRMAN. You are not speaking of property belonging to the bank?

Mr. SMITH. I am describing all the property which was carried as banking house by that bank, and was included in the \$976,000 of valuation. At that time all this property was assessed for \$300,000.

I had been in Uniontown some time prior to the closing of the bank—

The CHAIRMAN (interrupting). Do you know what proportion the assessment was of the actual value?

Mr. SMITH. I could not say as to Uniontown; no, sir. The building had been discussed by me several times with the directors of the bank, and after the closing of the bank it was discussed, because that was the largest single asset the bank had. There never was an effort on the part of the stockholders, to my knowledge, to finance that building. The most they ever attempted to do was to put a mortgage on it. They did not attempt to do that, but they suggested they might be able to raise a little money by putting a mortgage on the building, which would not help the ultimate situation any.

Things in Uniontown, in 1915, especially, were in pretty bad shape owing to the coal and coke situation. That building was too big for the town—that is, too big to handle. It was a piece of property that would be hard to dispose of.

The CHAIRMAN. What did it cost?

Mr. SMITH. It cost, in round numbers, about what it was carried at.

Senator GRONNA. \$976,000?

Mr. SMITH. \$976,000. I say at about what it was carried at. At the time that building was put up, I think, possibly several thousand dollars, maybe a hundred thousand, at or about that time, had been charged off in the nature of special fixtures for the bank, and things of that sort. Then, the other properties had been acquired and put in. All this had happened long before I examined the bank the first time, and I never did go back through those figures. I could not say to a dollar how much that property cost, but I would say approximately \$976,000 represented the cost of that building and property when it was new.

The CHAIRMAN. When was it built?

Mr. SMITH. I could not give you those figures. It had been built a number of years prior to 1912, which was the first time I went to Uniontown. It was not a new building.

The CHAIRMAN. What is the population of the town?

Mr. SMITH. I would say about 20,000, sir. It is a mining town. Uniontown is a coal town, and, as a business proposition, a building in Uniontown of this size is peculiar. The Uniontown industry is coke. The coal from which that coke is made in the territory around Uniontown has been mined to a considerable extent. They are going farther back and the future business of the coke industry is not at Uniontown.

The CHAIRMAN. Is it strictly a mining town?

Mr. SMITH. It has a population of 20,000, and they have some other industries. They had a brick factory there, and a wholesale lumber concern, some small factories. But it is considered a coke town. It is the center of the coke industry.

The CHAIRMAN. Of what materials was the bank building constructed?

Mr. SMITH. Brick and stone, as I remember it, sir.

The CHAIRMAN. Was it a fireproof building?

Mr. SMITH. I think it was so regarded when it was put up—not fireproof construction as we consider it now. It was built before some of the modern fireproof construction methods were used.

The CHAIRMAN. Is it a good building?

Mr. SMITH. A very substantial building.

The CHAIRMAN. You may proceed.

Senator GRONNA. The bank carried the building, exclusive of fixtures, at \$976,000?

Mr. SMITH. That includes those other properties, sir; an opera-house building on the same lot; a three-story, fireproof building, I think, used for a printing office, across the street; and a vacant lot. I say a vacant lot. There is probably room for three buildings on it. The post-office building was erected. That was all carried in this \$976,000.

Senator GRONNA. Was there not a schedule made as to the actual value of each building?

Mr. SMITH. No, sir. Those had been merged by the bank's business at the time they were acquired, and that was one of the things that I constantly took up with the officers and directors of that bank, to schedule that property, because the bank had no right to own anything except their banking house property and they were carrying this other property under that cloak.

The CHAIRMAN. I understand you to say that the opera house was vacant and was not used?

Mr. SMITH. The opera house at the time I was there, if I remember correctly, was vacant. It had been used up to a short time prior to that.

Senator GRONNA. What was the actual cost of this bank building when it was built?

Mr. SMITH. I never went back over those figures.

Senator GRONNA. Would not the examiner's report show that?

Mr. SMITH. Mine did not. I examined the bank, I think, first, in 1912. The building had been built and paid for and presumably the accounts had been audited by the bank examiner who went there long prior to my going there. So I did not go back 10 or 12 years and dig up the old books and the receipts.

The CHAIRMAN. I asked the question what the building cost.

Senator GRONNA. Yes, I know.

The CHAIRMAN. And the reply was nine hundred and odd thousand dollars.

Senator GRONNA. That is the way I understood it.

Mr. SMITH. My reply to that, was, Senator, that I valued the entire property carried by that bank at \$976,000. It cost approximately that amount; that I had understood that an amount had been charged off, several thousands dollars, possibly a hundred thousand dollars, at the time the building was erected or shortly thereafter, in the nature of furniture and fixtures.

Senator GRONNA. You mean the building or the buildings?

Mr. SMITH. They only had one account, and they charged it off on the one account.

Senator GRONNA. You mean the building account?

Mr. SMITH. The building account. They carried the others as a banking house.

Senator GRONNA. You did not ascertain what the amount was that they really charged off?

Mr. SMITH. No, sir.

The CHAIRMAN. Did you sell the building?

Mr. SMITH. Did I sell the building?

The CHAIRMAN. Yes.

Mr. SMITH. No, sir.

The CHAIRMAN. Who did sell it?

Mr. SMITH. Mr. Strawn, the receiver. The building was sold some time after I left Uniontown.

The CHAIRMAN. Were you consulted in the sale of the building?

Mr. SMITH. At one time—I think it was some time prior to the sale of the building—Mr. Strawn discussed the building proposition with me.

The CHAIRMAN. Do you know whether appraisements were made by competent engineers?

Mr. SMITH. There never had been, to my knowledge, sir.

The CHAIRMAN. Before it was sold?

Mr. SMITH. There never had been to my knowledge.

The CHAIRMAN. Would you know if Mr. Strawn had had appraisals made?

Mr. SMITH. No, sir.

The CHAIRMAN. You would not know whether he had appraisals made or not?

Mr. SMITH. No, sir. I was in Chicago at the time the building was sold, and would have no reason to know.

As a building proposition, that building, as I say, is located in a town peculiarly situated—Uniontown—and the sale of that building at \$976,000, in my opinion, would have been almost impossible—

The CHAIRMAN. You did not have charge of that property at the time the sale was made?

Mr. SMITH. No; not at the time the sale was made. No, sir.

The CHAIRMAN. Did you consult any appraisers while you had it in charge?

Mr. SMITH. I did not consult any appraisers particularly as to that building; no, sir.

The CHAIRMAN. Do you want to state anything more with regard to that matter?

Mr. SMITH. I would state that while I was there I discussed the value of that building, and, in fact, I had before the bank closed, and after it closed, discussed the building proposition with some of the directors of the bank and some of the leading business men in that community, and at that time none of them could figure out any plan where anywhere near the amount that the property was carried at could be realized.

The CHAIRMAN. That was in 1915?

Mr. SMITH. That was in 1915; during the first half of 1915.

The CHAIRMAN. When was it sold?

Mr. SMITH. I could not give you that date. It was some time after that.

The CHAIRMAN. Do you know about Mr. Jones's trouble in getting a hearing for the stockholders?

Mr. SMITH. Mr. Jones?

The CHAIRMAN. Yes. He testified—have you seen his testimony?

Mr. SMITH. I just started to look it over, sir, before I took this chair. That is the first time I had seen it, except what I saw in the paper. I do not know of any trouble that he had. I will say this: Eighty-five per cent of the stock is owned by the board of directors, and 60 per cent is owned by J. V. Thompson, the president of the bank who wrecked it.

The CHAIRMAN. Mr. Jones testified that he came to Washington and had an appointment with the comptroller, and that appointment was not met. Then he attended a meeting of the committee here for a couple of days, and immediately after that he got a reply from the comptroller agreeing, as I understand it, to permit the stockholders to intervene or appoint a committee to represent them.

Mr. SMITH. I know nothing about that, sir.

The CHAIRMAN. You know nothing about that matter at all?

Mr. SMITH. No, sir; not at all. The only thing that I know about the stockholders of the bank—as I say, the directors of the bank owned 85 per cent and thereby controlled the stock; and before the bank closed I endeavored to get them to save it. After the bank closed the same efforts went on to see if the bank could be reopened. But as to any appointment down at the comptroller's office that was not met with, Mr. Jones; it must have been some time afterwards, and I know nothing about it, sir.

The CHAIRMAN. Is there any other statement you wish to make with regard to Mr. Jones's testimony?

Mr. SMITH. I might possibly, after I have read the testimony.

The CHAIRMAN. Had you not better suspend, then?

Mr. SMITH. I have just had a chance, Senator, to look at it.

(The witness was thereupon excused.)

STATEMENT OF MR. JOHN S. WENDT, PITTSBURGH, PA.

Mr. WENDT. I reside in Pittsburgh and I have been practicing law there since 1890. I am a member of the bar of the State and the Federal courts having jurisdiction in that community.

I first became counsel for the receivers under the national bank act, appointed by the comptroller in about 1905, when the Enterprise National Bank of Allegheny failed, at the time Mr. Ridgely was comptroller, and I have been counsel for the receivers of various banks which have failed, in that vicinity, under his administration and the administration of Lawrence O. Murray and the present comptroller, and represented John H. Strawn, the receiver of the First National Bank of Uniontown, and have also been counsel for the Comptroller of the Currency in one proceeding in which he was trustee of certain stocks pledged by J. V. Thompson for the purpose of securing certain of his indebtedness.

Mr. Strawn also had local counsel at Uniontown who advised him in respect to certain matters.

There are only two matters which are in question here, I think, about which I need to say anything, and those are the matter of the pledging of the stocks and the matter of the sale of the bank building.

In respect to the sale of the bank building, I did not actively represent the receiver. A petition was presented by his local counsel at

Uniontown to the United States district court sitting at Pittsburgh, and when opposition was made to the selling by certain parties I was requested by Mr. Strawn to attend the hearing before the court, and I have a knowledge of what took place at that hearing and am generally familiar with the facts respecting the sale of the building.

I can add a very little, perhaps, to what Mr. Smith, the last witness, testified to, and to what Mr. Strawn, the receiver, who is very competent and fully informed as to all the circumstances, will state. I understand he is here. . All I can say is that the petition was presented to the United States district court long after the bank failed, perhaps three years after the bank failed, and a hearing was had on it. Notice was given to the parties in interest, and after the hearing the court ordered a public sale of the building, after notice by publication for 30 days.

At that sale it was sold for a price of, I think, about \$750,000. I believe there were no exceptions to the sale. There was no complaint made to the court that the price obtained was not adequate and sufficient. I gained the impression, from what I heard at the time, that the parties in interest were fairly well satisfied with the price received. It was more than I think was generally expected.

Senator GRONNA. Are you speaking now just of the bank building, or of the buildings enumerated by Mr. Smith?

Mr. WENDT. I am not clear whether the sale comprised all the real estate or not, but I think it did not comprise it all. There is some real estate that was not included. Just what portion of the real estate was not included I do not know; but the bank building was sold, and whether the opera house was sold with it, I am not sure, but my impression is that the other property referred to by Mr. Smith as the one on which the printing house was erected was not sold.

The CHAIRMAN. The receiver will know about that?

Mr. WENDT. Yes; the receiver will inform you fully about that.

From my observation and knowledge of the circumstances I would say that the building was much too large for the municipality in which it was erected. In other words, it was the only building of that character there, and the town was small. It is the center of the coal industry. The life of the town depends upon the coke and coal industry of which it was the center at the time the town originally grew up, and it is a fact, I think, that the coal areas of that neighborhood are being rapidly exhausted to-day, and I can not think that there is any prospect of any great increase of the population of that community or any increase in the demand for office space or apartments in such a building. On the contrary, I think the center of the coal industry is likely soon to shift into another industry which would not be contributory in any commercial or industrial way to the Uniontown community.

The court gave a very full hearing to the parties in interest, and as there was no objection to the sale of the property—at least, I do not recall any—I thought at the time that the sale was satisfactory. I do not believe anybody, any responsible party in that community, having a knowledge of real estate values ever expected that they could realize the amount which that building cost, or anything like it, because, as I say, it was an exceptional structure, one as to which you could not be sure that the demand for it would continue to exist.

As to the other matter, the pledge of certain stocks to the Comptroller of the Currency, the history of that is this:

After this bank failed, and while Mr. Sherrill Smith was receiver of it, he came to me and consulted me about a pledge of certain stocks which he understood had been made by J. V. Thompson, the president of the bank and the man who was indebted in a very large sum.

The CHAIRMAN. Give the stenographer the dates as near as you can.

Mr. WENDT. I shall do that; yes, sir.

This was shortly after January 18, 1915, perhaps in the spring of that year, March or April, that Mr. Smith came to me about the matter. He had gotten information that, pursuant to negotiations had between Mr. Thompson or his counsel and the comptroller in the fall of 1914, Mr. Thompson had deposited with McCombs, Ryan & Gordon—of which William F. McCombs was the leading partner, I believe—certain stocks as security for certain indebtedness of Thompson, and the matter was in informal and unsatisfactory shape.

I took the matter up and ascertained the facts by conferences with Mr. Smith and, I believe, with the Comptroller of the Currency's office, as is shown in the records, and also I consulted McCombs, Ryan & Gordon. I found that there were in the hands of McCombs, Ryan & Gordon 3,000 shares of the stock of the Liberty Coal Co., a West Virginia corporation; 7,000 shares of the capital stock of Wetzel Coal Co., a West Virginia corporation that had just recently been incorporated by J. V. Thompson and to which corporations he had conveyed, respectively, certain blocks of undeveloped coal in West Virginia in a neighborhood where the coal had not been developed yet. There were virgin fields untouched and undeveloped, without any income, and he had conveyed these properties to the corporations and taken stock for his coal and pledged for the stock or deposited it with McCombs, Ryan & Gordon for purposes which I will mention.

The purpose of that was to get the asset into such shape as he could use for collateral. That was the purpose of the organizations of the corporations.

After various negotiations, the parties in interest, including Mr. J. V. Thompson and his receivers—and I should say here that in the meantime and about the time the bank failed Mr. Thompson failed. His failure really precipitated the failure of the bank, and he had procured receivers to be appointed for his estate, which was rather an unusual proceeding in our community, and an injunction restraining creditors, and so forth. So the matter was taken up with McCombs, Ryan & Gordon, the comptroller and Thompson and his receivers, and we all agreed that the pledge had been made and the terms under which it had been made were agreed to. McCombs, Ryan & Gordon did not wish to act as pledgees or trustees of the trust, and suggested that the stock should be transferred to the Comptroller of the Currency as trustee.

We all agreed that the purpose of the pledge was, first, to secure payment of all indebtedness of said Thompson to the First National Bank of Uniontown, Pa.; second, to secure and protect all depositors of the First National Bank of Uniontown, Pa., from loss and, third, secure payment of notes of said Thompson held by other national banks.

It having been originally intended that no stocks be put in the hands of the comptroller for the purposes stated, it was agreed that they should be transferred to him, but the receivers of Mr. Thompson said that they would not consent to it unless the courts appointing them gave them such authority. To that end John H. Strawn, who, in the meantime, had been appointed receiver to succeed Mr. Smith as a temporary receiver, presented a petition to the Court of Common Pleas of Fayette County, Pa., the court which appointed the receivers for Mr. Thompson's estate, setting forth the fact that this pledge existed. It was really an oral pledge, depending upon oral understanding and certain letters for the terms of it, as I have stated, and an answer was filed to that petition by Mr. Thompson and by his receivers admitting the facts set forth in the petition. The court then made a decree authorizing the receivers to consent that the certificates for the stock should be delivered to the Comptroller of the Currency to be held by said Williams for the purpose, first, of securing payment of all indebtedness of said Thompson; second, securing and protecting all depositors of the First National Bank of Uniontown, Pa., from loss; and, third, securing the payment of notes of said Thompson held by other national banks.

At that time Mr. Thompson said he did not want the stocks disposed of soon and that he would like to have an opportunity to rehabilitate himself financially if he could, and represented that he thought he could, if given a reasonable opportunity to do so. We asked him how long he would like to have. He said it would be only reasonable to give him an opportunity to rehabilitate himself if he could. He said he would like us to agree that the stock should not be sold prior to March 1, 1916. That was acquiesced in.

So that a clause was put in that decree of the court authorizing the receivers to consent to this transfer of comptroller, a clause to this effect:

That the said stock shall not be sold, assigned, or transferred or converted or otherwise disposed of by the said comptroller prior to March 1, 1916, and after the expiration of said period only when and in such manner as may be agreed upon by said Thompson or his legal representatives and said comptroller, and in default of such agreement, only and in such manner as may be determined by a court of competent jurisdiction, that said Thompson or his legal representatives shall have the right to redeem said stocks at any time in the interim on the payment of a sum not exceeding \$750,000.

That sum was suggested by Mr. Thompson, and the receiver regarded that sum as equal to or in excess of the value of the stocks. The stocks had been appraised for more than that, but the appraisements that were made were made by men, I think, pretty much selected by Mr. Thompson, who was very optimistic as to values.

The stocks were then transferred to the comptroller and the time passed. March 1, 1916, the time for the redemption of them passed. Nothing was done toward redeeming them. The coal companies had no working capital, no cash, absolutely none. The held these lands. Taxes were accumulating on the lands, and requests were made from the comptroller from time to time not to sell the stocks.

A committee of the creditors of J. V. Thompson had in the meantime been organized, and I understand that that committee and the receivers of Thompson and Mr. Thompson himself strongly opposed the sale of those stocks at any time.

The trustees in bankruptcy of Thompson—let me say for the information of the committee that the validity of the receivership was questioned by certain creditors of Thompson, and the Supreme Court of Pennsylvania determined that the receivership was void and invalid and did not have any effect, and, then, Thompson became bankrupt, and the trustees in bankruptcy were appointed, and they opposed the sale of these stocks, claiming that eventually they hoped to be able to redeem them.

The committee will observe that the pledge was made not only for the purpose of securing the indebtedness of Thompson to the bank and to protect the depositors from loss, but also to secure the payment of notes of Thompson held by any other national banks. There were a hundred or more other national banks that held notes of Thompson's, of which many were unsecured, except, perhaps, by this pledge. The comptroller, therefore, was under the duty of protecting the beneficiaries of this trust.

Acting, as I understand, in response to the request of Thompson's creditors' committee, who claimed to represent the great bulk of these creditors and the trustees of Thompson in bankruptcy, Thompson himself, the comptroller held off. I, from time to time, called the comptroller's attention to the fact that he was trustee not only for the receiver but also for these other national banks, and the indebtedness due to the other national banks for which this stock was in the comptroller's hands amounted to between two and three million dollars, as near as I can ascertain it, and the interest was accumulating on that as well as on the debts of Thompson due to the bank and of the indebtedness of the bank to the depositors.

The CHAIRMAN. What was his indebtedness to the Uniontown bank?

Mr. WENDT. Thompson's expressed indebtedness, represented by notes to which he was a party, maker, indorser, or guarantor, was about \$200,000 at the time the sale of the stock was pledged; but he contended, and his trustee in bankruptcy contended, that there was an additional indebtedness, approximating \$900,000, which was really his indebtedness to this bank, because that sum had been obtained by him indirectly from the bank. Originally, Mr. Thompson had been indebted to the bank for very much in excess of \$200,000. His indebtedness had greatly exceeded the legal amount, and, in response to objections or criticisms made by the comptroller's office, he had reduced that indebtedness but nominally by having notes, on which he was maker or indorser, renewed without his indorsement, although, as a fact, he had gotten the proceeds. After his failure he contended that this pledge secured not only that indebtedness of \$200,000 on which he was manifestly liable but also this so-called indirect indebtedness which was represented by notes of other parties to which he was not a party, which amounted to about \$900,000. His trustees so contended.

There was therefore manifestly a question as to whether this pledge covered that indirect indebtedness. It was to the interest of the other national banks to hold Thompson's paper secured by this pledge. In other words, it was to their interest to have it held, but the pledge did not include this indirect indebtedness, but only the

indebtedness which was legally enforceable, namely, that on which Thompson was maker, indorser, or guarantor.

The CHAIRMAN. This suggestion that this collateral should be held and indebtedness to other national banks; that you say was agreed to?

Mr. WENDT. Oh, yes.

The CHAIRMAN. Was there any legal obligation on the part of the Uniontown Bank to forfeit its right to the whole collateral?

Mr. WENDT. The pledge was first to secure all of Thompson's indebtedness to the Uniontown Bank.

The CHAIRMAN. They had the prior right or prior lien?

Mr. WENDT. Exactly. Then to indemnify the depositors against loss and, third, the other national banks.

The CHAIRMAN. That was the agreement; but the Uniontown Bank had the prior lien?

Mr. WENDT. Yes, sir.

The CHAIRMAN. What were the liabilities of the bank at the time of its failure?

Mr. WENDT. The Uniontown Bank?

The CHAIRMAN. Yes.

Mr. WENDT. Well, you can get that more accurately from Mr. Strawn. Mr. Smith stated the deposits were \$1,400,000. Whether there were additional liabilities or not I do not know. I am not familiar with those figures, Senator. You had better get them from the receiver. He will be very competent to give you that.

The CHAIRMAN. Just give us the point on which your testimony controverts Mr. Jones's testimony. We are perfectly willing to give you all the time you want, but just give the important items that are in dispute.

Mr. WENDT. I do not care to take up the time of the committee further than is necessary to elucidate this situation, because I think a false impression has been given to the committee.

The CHAIRMAN. Mr. Jones's complaint was that the stocks should have been sold before the real estate, as I understand it.

Mr. WENDT. Yes. There are several answers to that. Perhaps the most important one is that the creditors of Thompson and the trustees of Thompson in bankruptcy represented that if it was not sold they would be able to dispose of it for a much greater price than could be obtained by public sale, and they protested vigorously against the sale of it.

The CHAIRMAN. Notwithstanding the bank creditors had the first lien?

Mr. WENDT. Well, they also contended that they had an injunction over in West Virginia against the sale of it. They did get an injunction from the District Court of the Northern District of West Virginia purporting to enjoin the sale of these stocks. The comptroller was not made a party to the proceeding at all and had no notice of it, but the trustees went in there to that court in West Virginia and got an injunction against all persons disposing of any of the assets of Thompson.

The CHAIRMAN. The receiver was not made a party?

Mr. WENDT. No; the comptroller, nor was the receiver of the bank, as I recall it, made a party. It was in another State. The depositors had not been paid in full; they had been paid in part—

The CHAIRMAN. What were the total deposits; do you remember?

Mr. WENDT. \$1,400,000 at the time the bank failed. The depositors had not been paid off in full. In February, 1918, the indebtedness of Thompson to the bank had not been paid. The indebtedness to these national banks amounting to between two and three millions had not been paid. There was not a dollar paid on it, and the interest had accrued on it for several years, which you will see amounts to \$150,000 or more a year, and my judgment was that the comptroller would be open to criticism if he had further delayed the sale of stocks. In the meantime, however, there had nothing transpired which had depreciated the value of the stocks. Perhaps the conditions were rather better then for the sale of the stocks than they were earlier, for, as I remember, in 1918 the coal industry was affected; the value of coal stocks was in a depressed state, and the outbreak of the war helped it. So that in February, 1918, a bill was filed by me in behalf of the comptroller in the District Court of the United States for the Western District of Pennsylvania for a foreclosure and sale of these stocks.

The CHAIRMAN. Was the building sold at that time?

Mr. WENDT. I do not recall the precise date of the sale of the building. It seems to me the building was sold about the same time this bill was filed.

The CHAIRMAN. But you do not know whether it was sold before or after?

Mr. WENDT. I am not clear about that, sir.

At the time when the bill was filed we made parties defendant Mr. Thompson individually, his trustees in bankruptcy, and a number of national banks who held notes of Mr. Thompson who were of such a kind as would represent a large class of 125 national banks that were interested in this pledge, and the trustees of Mr. Thompson came in and opposed the sale of the stocks and resisted a decree. They admitted the terms of the pledge, admitted that the time for redemption had passed, and all that, but claimed that it was to the interest of all parties concerned—

The CHAIRMAN. Did the stockholders ask to intervene at this time?

Mr. WENDT. The stockholders, I believe, asked to intervene.

The CHAIRMAN. At this time?

Mr. WENDT. It was before the decree was made.

The CHAIRMAN. Before the decree was made?

Mr. WENDT. Yes, sir. Their object in intervening was to resist and dispute the claims of other national banks that the receiver of the Uniontown bank was not entitled to recover any more than 200,000; in other words, not entitled to recover this \$900,000 of so-called indirect indebtedness.

I resisted the intervention on the ground that the question which they sought to be represented upon and to litigate at that time was not involved in the preliminary hearing which would precede the entry of a decree, and the court took that view of it—that the court would not determine until the stocks had been sold who were entitled to the proceeds.

The trustees in bankruptcy contended that the court, before a sale, must adjudicate who were the creditors entitled to respective rights and priorities to the amount of their claims, and the court held, and, I think, rightly—there are many precedents in similar pro-

ceedings in the books—that the real question before it at that time was as to the terms of the pledge, whether the stock should be sold, and after the sale had been had, if the trustees were brought into court, then the court would determine all questions arising upon distribution.

The CHAIRMAN. I suppose, as a matter of record, the stockholders were denied their petition on the ground stated?

Mr. WENDT. They were denied the right to intervene at that time.

The CHAIRMAN. At the time the stocks were sold?

Mr. WENDT. No. The court entered a decree defining the terms of the pledge, and appointing a master to make the sale, reserving questions of distribution. The trustees in bankruptcy took an appeal for the purpose of preventing the sale, and the Circuit Court of Appeals of the third circuit still has the case. It was argued.

The CHAIRMAN. Oh, yes; I remember.

Mr. WENDT. It was argued in October and November of last year.

The CHAIRMAN. The stocks are not sold yet?

Mr. WENDT. The stocks are not sold yet. The comptroller has done everything that he can do to procure the sale of them.

The CHAIRMAN. Then there is no controversy between you and Mr. Jones, as I understand it, as to the record of the proceedings?

Mr. WENDT. There is no controversy as to the fact that the stockholders attempted to intervene, and that I resisted it for the reasons stated, and he, as I understand it, withdrew his petition after Judge Orr expressed the view that he would not determine that point which they sought to have litigated at that time, but he would have an opportunity later to appear before the master and resist any claims of other national banks.

I always advised the receiver and the comptroller that neither the receiver nor the comptroller could decide the question of law as to the distribution: that that was a question that should be scrupulously left to be determined by the court, and the comptroller properly enough expressed no opinion as to how the proceeds were to be distributed.

The CHAIRMAN. If there is any question as to the comptroller's action or the receiver's action in disposing of the bank building before they do the stock?

Mr. WENDT. If there is any question about it; yes.

On that point the situation was, as I have stated to some extent, that the bank had failed three years previously. The depositors were unpaid. Thompson's debt to the bank was unpaid; interest was accruing on that, and the banking house was not appreciating its value. According to the information they got, it was the most valuable asset. The bank had to be liquidated. There was no hope of its rehabilitation.

The CHAIRMAN. What percentage of the deposits had been paid?

Mr. WENDT. Oh, they have been paid in full now.

The CHAIRMAN. They have been paid in full?

Mr. WENDT. They have been paid in full, with interest. There has been a very happy and fortunate situation brought about, I think, by the manner in which Thompson's estate has been handled. As I say, receivers have been appointed for his estate—

The CHAIRMAN. Just tell us in a word how the money was raised by which the depositors were paid.

Mr. WENDT. The receivers were held afterwards to have been illegally appointed. Pending a decision of the supreme court voiding the receivership and nullifying it, the receiver of the bank procured judgments against Thompson in the form of liens on his real estate, and he also procured judgments against various other debtors of the bank. Through the receiver's vigilance in getting judgments while anticipating the voidance of this receivership, he got liens in priority to other creditors which enabled him to collect in full any debts which he would not have otherwise collected but a very small portion of. As the result of the collection of those judgments which he got in priority to other creditors by reason of the receivership being held void, he collected large sums which he did not anticipate.

The CHAIRMAN. Do you know how much?

Mr. WENDT. No; the receiver can give you that.

The CHAIRMAN. Could the depositors have been paid without the sale of the building?

Mr. WENDT. Not at that time, nor was there then any immediate prospect that they could.

The CHAIRMAN. Could they, if the bank building had been held by the receiver, have liquidated these claims, and could the depositors' claim on the bank have continued?

Mr. WENDT. On that I am not competent to speak. You will have to inquire about that from the receiver himself.

I have been, as you know, merely counsel for the receiver; but at the time the sale was made there was no showing presented to the court which impressed it as sufficient to warrant preventing the sale. The court was satisfied that the assets ought to be converted. There was no appeal from that judgment, of course.

The CHAIRMAN. I do not understand that Mr. Jones can contest that record at all. It is a mere question of the exercise of good judgment in the conservation of the assets of the bank.

Mr. WENDT. Well, the receiver took the opinion of very competent men as to the value of that estate, and the comptroller was guided, as I understand it, very largely upon the information furnished to him by the receiver, and perhaps by some independent investigation.

The CHAIRMAN. You know nothing, probably, about the efforts of Mr. Jones to have a committee appointed representing the stockholders. Did you hear his testimony?

Mr. WENDT. No; I did not hear his testimony. I read it, though, Senator. You refer to his effort to have a shareholders' agent appointed?

The CHAIRMAN. Yes.

Mr. WENDT. As the law provides. No; I know nothing about that. I know that the question arose. I do not know anything about his efforts.

The CHAIRMAN. Thank you. Have you other witnesses ready, Mr. Comptroller?

Mr. WENDT. There is one matter of evidence that I overlooked, and that is this, that attorneys for some of the other national banks interested in the pledge of these stocks had consulted the receiver and requested that he have the comptroller bring a suit for the sale of those stocks, but the parties who were vitally interested in the value of them—that is, the trustees in bankruptcy who were interested to obtain the most possible out of it—did not want them sold

at all. They complained that they were an integral part of Thompson's estate, and they had negotiations for the sale of the estate in bulk and the sale of these stocks would prejudice the negotiations they had for the sale of Thompson's estate, and the result would be that it would be financially disastrous to the bank and the receivers of the bank to have the stocks sold at that time. That was the reason why it was delayed so long.

The CHAIRMAN. Do you want to go on this afternoon, Mr. Williams?

Mr. WILLIAMS. I would like to, Senator.

The CHAIRMAN. The committee will take a recess until 2 o'clock this afternoon.

(Whereupon, at 11.45 o'clock a. m., the committee took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The committee reconvened at the expiration of the recess at 2 o'clock p. m.

STATEMENT OF MR. JOHN S. WENDT—Resumed.

Mr. WENDT. Mr. Chairman, there was one reason for the sale of that bank building previous to the sale of the stocks pledged to the comptroller, which I neglected to state this morning. You will have observed that the deposit of the stocks with the comptroller was in trust for the purpose—

First, of securing payment of all indebtedness of Thompson to the First National Bank of Uniontown.

Second, the securing and protecting of depositors of the First National Bank of Uniontown from losses.

Third, to secure the payment of notes of said Thompson held by other national banks.

You will observe that the second purpose is to secure and protect all depositors of the First National Bank of Uniontown from loss. That created a contract of indemnity, a trust to indemnify the depositors against loss. That would mean that if the assets of the bank were not sufficient to pay the depositors, then the stock could be resorted to for that purpose. So that the primary assets for the payment of the depositors were the assets of the bank. This stock was only secondarily liable to protect depositors from loss.

In equality, as well as in good morals, the receiver would be bound to exhaust the assets of the bank to pay the depositors before he would resort to this collateral, or have the comptroller sell the collateral for the purpose of paying the depositors, and that was one reason the sale of the bank was brought about in priority to the sale of the stock, because the other national banks who were interested in the pledge of stocks would have had a right to complain if their security was taken to pay the depositors before the assets of the Uniontown bank were exhausted in liquidation for the purpose of paying them.

Therefore, it seems to me plain that there was no equity whatever in the contention of the stockholders that this stock in the comptroller's hands should be exhausted first to pay the depositors, because

and I had them on a long-distance phone, and at that time I did not know the conditions that things were in in the bank.

Senator GRONNA. Had you examined this bank previously?

Mr. SMITH. I had examined the bank previously. The last time was some time in the summer of 1914, I think.

Senator GRONNA. Had you made only one examination?

Mr. SMITH. I had made several from 1912 to 1915.

Senator GRONNA. Could it be possible for Mr. Thompson or for any other bank officials to keep these things hidden, if the examinations were thorough, in amounts as large as you have stated?

Mr. SMITH. After every examination these items were corrected, at the time, or immediately after.

The CHAIRMAN. Do you mean embezzlements?

Mr. SMITH. Any amount that Mr. Thompson was overdrawn, and the checks in the cash items, and the loans above the legal amount, were made good.

The CHAIRMAN. Were the acts that were afterwards complained of as embezzlements called to their attention at that time?

Mr. SMITH. Yes, sir. If a man was overdrawn it would not necessarily mean that it was an embezzlement.

Senator GRONNA. Perhaps I misunderstood the witness, Mr. Chairman, but I understood him to say this morning that he spent some time at either Uniontown or in some other town giving these people time to make arrangements to get sufficient funds to go on with the bank. The way I understood you, Mr. Smith, was this, that you did not want to see the bank closed.

Mr. SMITH. That is right.

Mr. GRONNA. Did I understand you correctly?

Mr. SMITH. I did not want to see the bank closed. I do not think I stated—I stated that I worked all day and half the night in Pittsburgh trying to work out some plan whereby enough money could be raised to prevent the bank closing.

Senator GRONNA. I understood you correctly, then.

Mr. SMITH. The other stockholders and directors were in Uniontown, and I discussed the matter of raising money with them over the long-distance phone.

Senator GRONNA. Do you not think that where you find bank officials who will continuously violate the law, such as you have stated here, embezzle money, and overdraw their account, an institution of that sort should be closed unless there is a change in the management?

Mr. SMITH. Ordinarily, yes. The first concern, of course, to an examiner is the depositors, and the first effort of the department is to work the bank into shape so that the depositors will run no risk of loss. That is the first object of an examination. This situation was peculiar.

Senator GRONNA. In your judgment had the bank improved in its financial condition from the time that you first discovered these irregularities in 1912 up to 1915?

Mr. SMITH. It had been improving, yes, sir; constantly.

Senator GRONNA. It kept on improving constantly?

Mr. SMITH. Yes, sir. And, furthermore, part of that is shown by the ultimate result of the receivership and the fact that the bank has

paid out and has assets left. If left alone that bank would have closed sometime ago.

In regard to the appointment of Mr. Strawn as receiver, I want to say that I had known Mr. Strawn for sometime. I had known of his experience as a receiver under former comptrollers of the currency, and also the work he had done as receiver of a national bank at Waynesboro, Pa., where he had been receiver for a number of years, and knowing that Mr. Strawn was thoroughly familiar with the coal situation in Fayette and Green Counties, Pa., which comprised the assets that meant the liquidation of this bank successfully, I recommended the appointment of Mr. Strawn as receiver of the First National Bank of Uniontown. I wish also to state that I believe the result of the receivership has justified that opinion.

The CHAIRMAN. Mr. Strawn, I understand, is to appear?

Mr. WILLIAMS. Yes, sir.

Mr. SMITH. It was also stated that a deliberate attempt was made to limit the construction of the stock pledged. The sworn report of condition on December 31, 1914, showed Mr. Thompson's direct and indirect liabilities to that bank were something like \$200,000. I am speaking from memory, but it was a comparatively small amount. In the testimony here it is alleged that his indirect liabilities are \$900,000. Mr. Thompson, as president of the bank, swore to the statement showing his direct and indirect liabilities. This \$900,000 must take in a considerable number of assets on which Mr. Thompson was not liable to the bank.

Mr. Jones also made a statement here that some party had a deposit of \$250,000 in that bank, and that he was directed to lift the deposit, presumably to remove it from the bank. If that refers to Mr. Hackney, cashier of the bank, I am familiar with the transaction.

Mr. Hackney deposited in the bank a considerable sum of money at various times, and took the bank's certificate of deposit, getting no interest. He informed me that it was an ordinary deposit, in the regular course of business. I afterwards found that he was getting 6 per cent interest on those certificates. I asked him how he, as cashier of the bank, got 6 per cent interest on a certificate that bore no interest. He then told me that he went to other banks and borrowed money personally.

The CHAIRMAN. When was this?

Mr. SMITH. This was some time prior to the closing of the bank.

The CHAIRMAN. It is important that you should fix that date.

Mr. SMITH. The date is not fixed here, nor can I fix it from memory.

The CHAIRMAN. Within a year or two years?

Mr. SMITH. I should imagine it was within a year.

The CHAIRMAN. Might it have been more than a year?

Mr. SMITH. It might have been. I do not think that it was. He borrowed the money and deposited it in the First National Bank of Uniontown personally, and got the same rate of interest that he paid on the money he borrowed and deposited. I then told him that, as a matter of fact, it was not an ordinary deposit, but that his bank was borrowing money from him personally, and they should show those certificates as representing money borrowed. But he was not instructed to take the deposit out at any part of the time.

At the time the bank closed, as I stated, there was a certain amount of liabilities, referred to here as deposits, of \$1,400,000 or \$1,500,000. In addition to that, the bank had a liability of \$400,000 of emergency currency. They also had the possible liability, which is still in existence, of some \$400,000 on these foreigners' notes, the foreigners holding them contending the bank is liable.

The emergency currency, among other things, was secured by a lot of assets that did not belong to the bank. Thompson procured a hundred or a hundred and twenty-five thousand dollars worth of first-mortgage bonds from a local concern, borrowed them, and deposited them. He procured some notes in the same way. That liability had to be taken care of, and before anybody can say what the amount is to come back to the stockholders of that bank the liabilities have all got to be eliminated, including the claims of these foreigners who hold these personal notes.

I think I stated this morning—if not, I would like so say—that where it says here that “for years prior to the date it was closed by the comptroller,” that is not correct. The comptroller did not close the bank. The board of directors realized they did not have enough cash—I think they had something like \$2,000 in cash in the bank. The board of directors had been unable to raise any funds. Personally they were unwilling to put up the money, the bank could not and did not have the assets to, and the board of directors closed the bank themselves.

The CHAIRMAN. The comptroller was inclined to carry the bank along?

Mr. SMITH. As long as the situation could be saved and liquidated for the benefit of depositors; yes, sir.

The CHAIRMAN. That is all.

Senator FLETCHER. What do you mean, Mr. Smith? I do not quite catch your meaning in referring to these foreigners' notes, personal notes. You described them as personal notes of the foreigners.

Mr. SMITH. No; Mr. Thompson's personal notes to foreigners. In other words, a foreigner would come into the bank with a few dollars to deposit and want interest. He would get a personal note of Mr. Thompson's, or he would get a personal note of Mr. Seamans's, who was assistant cashier, and in some few instances he would get a personal note of one of the tellers. These notes he pinned in the back of the bank's pass book, and they bore 4 per cent interest. Thereafter if a foreigner wanted to get his interest, or if he wanted to get a partial payment on the note, he did not go to Mr. Thompson. he did not go to Mr. Seamans, but he went in to a teller of the bank and said he wanted \$40 or \$50 and wanted interest. They would give him the interest and indorse it on the back of the note. That question of whether the bank is liable is one that the courts have to decide. On the other hand, that liability is one the receiver has to take notice of and has to hold enough assets to provide for their payment if the bank is liable.

Senator FLETCHER. You designate these people as foreigners.

Mr. SMITH. Yes, sir.

Senator FLETCHER. What do you mean by that, that they were not citizens of the United States?

Mr. SMITH. Possibly I ought to correct that. I mean people of foreign birth, and in any number of cases in order to talk to them I

had to get a foreigner who was employed in the bank to carry on the conversation. They could not talk English, or if at all, imperfect English. Whether or not they were naturalized, I could not say.

Senator FLETCHER. They resided there?

Mr. SMITH. Miners and coke workers living in that section.

Senator FLETCHER. They resided there, and do they still reside there, or did any of them go out of the country?

Mr. SMITH. I do not think many of them have gone out of the country since 1915. They may have.

The CHAIRMAN. How long have you been an examiner?

Mr. SMITH. Since 1910, sir.

The CHAIRMAN. I suppose you find banks that are doing things that they ought not to do?

Mr. SMITH. We do sometimes, but the number are constantly getting less, the same as the number of banks that have to be closed are constantly getting less.

The CHAIRMAN. Back there in 1912 to 1915 were there a good many banks that were violating the law?

Mr. SMITH. I would not want to say a great number; no, sir. This one was a remarkable exception.

The CHAIRMAN. Some?

Mr. SMITH. There were some.

The CHAIRMAN. You do not know how many?

Mr. SMITH. Oh, no. Out of seven thousand-odd banks I only examine a few of them, and could only speak from those few I did examine.

The CHAIRMAN. The records of the comptroller's office would show?

Mr. SMITH. The records of the comptroller's office would show; yes.

The CHAIRMAN. That is all.

STATEMENT OF MR. JOHN H. STRAWN, RECEIVER OF THE FIRST NATIONAL BANK, UNIONTOWN, PA.

Mr. STRAWN. Mr. Chairman, my name is John H. Strawn. I am receiver of the First National Bank of Uniontown, under appointment from Mr. Williams, the present comptroller. I have been connected with the comptroller's office some 13 years, having been in charge of various insolvent national banks. My first appointment was under Comptroller William B. Ridgeley, and I held appointments under Comptroller Lawrence O. Murray. I appear here to-day in answer to certain charges made by Mr. A. E. Jones, of Uniontown, in connection with the administration of the bank's affairs.

Before taking up the matter of the sale of the bank building and its collateral, which seem to be the two principal points Mr. Jones has raised, and in which I am concerned, I have thought that I would add something to what Mr. Smith has said about the fraud perpetrated by the former president of the bank upon the ignorant coke workers of that region, who hold his personal obligations, and the obligations of one of the other officers of the bank,

which they state were frequently issued to them for money that they claimed to have deposited in the bank.

In addition to the admitted liabilities of the bank, the amount of which I will state to you presently, there were, at the time of its suspension, approximately \$100,000 in personal notes made by Mr. Thompson, the president of the bank, and one of the other officers, held by a large number of people in that region, all of whom were workers at the coke ovens. They were drawers of coke. They were of foreign nationalities, were ignorant of the English language, and were as helpless as children in the transaction of their business affairs.

The CHAIRMAN. During what period was this going on?

Mr. STRAWN. This was going on immediately prior to the bank's suspension, and at the time that I was appointed as receiver.

The CHAIRMAN. You were not an examiner when you were appointed receiver?

Mr. STRAWN. No, sir. My connection with the comptroller's office for 13 years has been solely as receiver of insolvent national banks. But I found this situation when I went there, and in that connection I may say that while I was not appointed for some months after the bank closed, yet immediately after it closed Mr. Smith, who was then in charge, telephoned me and asked me to come over to assist him, and I was with him continuously from the week after the bank closed until my own appointment, and of course all of these matters came to my direct personal attention.

As depositors came in to prove their claims, these ignorant foreigners, workers in the coke region, brought these notes in, or, to be more exact, each one of them presented a passbook that had been regularly issued by the bank, showing a credit of a sum of money deposited, and a charge of a like amount, and in the back of the passbook was pinned what proved to be a personal note of the president, Mr. Thompson, or of the assistant cashier. The note was printed in such form that it resembled in its general appearance a certificate of deposit of the bank.

The story told in broken English at times, and other times through the aid of an interpreter, in each case was that the depositor brought his money to the bank and asked that it be deposited on interest: that he was given a passbook, told to sign certain papers, and went away believing that his money was on deposit, whereas, as a matter of fact, the funds had been appropriated personally by the president of the bank or one of the other officers, and their personal notes given to the depositors, the passbook accompanying it apparently for the purpose of making him believe he held the bank's obligation. In fact, each one of them, as they would come back to me asking for dividends, would say, "My money is in the bank. I have the passbook. I have the book here to show it."

As these alleged liabilities did not appear upon the books of the bank, and were denied by the bank's officials, I had no alternative but to reject them and insist that they be adjudicated through the courts.

Senator FLETCHER. Was there no entry at all on the books of these transactions?

Mr. STRAWN. Yes, sir. I have just explained, that in the passbook—

Senator FLETCHER (interrupting). No; but I was speaking of the books of the bank.

Mr. STRAWN. Yes, sir. An account was opened in the books of the bank, and precisely the same entries were made there as appeared on the passbooks. As a matter of fact, in many country banks, the entries on the passbooks, at least on the credit side, are exactly the same as those on the bank's ledger. The items would be entered in detail. And when a passbook is balanced, it is customary for the bank to enter in the passbook, on the credit side of the passbook, which would be on the debit side of the ledger, the total of the checks withdrawn during that period, whereas on the bank's ledger they would be set forth in detail. The bank's ledger in each of these cases showed a deposit to the credit of these individuals, and withdrawals.

Senator FLETCHER. The same date?

Mr. STRAWN. Invariably.

The CHAIRMAN. For how long a period? How long had it extended back?

Mr. STRAWN. That practice had been going on for years—that is, for four or five years. It was substantially impossible for the bank examiners to find out unless by accident, or from the outside.

Senator GRONNA. The depositor was given credit for money deposited, and then the account was balanced how—by a check drawn by the depositor, or by the note of an officer?

Mr. STRAWN. In each case the transaction all occurred at the same time. The depositor placed his money on the counter, a pass book was then made out with his name on it, the amount of his deposit was credited in the pass book, and a similar credit to his account was made in the bank's ledgers. At the same time a check was made out by the bank officials, made payable to "Self," and the depositor, who, as I have explained, was ignorant, most of them not speaking the English language, and being absolutely helpless, was made to believe that the signing of that check was a part of the formality or routine of the deposit. Then the check was used as a basis for charging his account with the amounts so deposited, and the funds were then immediately appropriated by the bank officials.

Senator GRONNA. These transactions had been going on for some years?

Mr. STRAWN. Yes, sir. Not in all cases was the note substituted for the pass book at the time the deposit was made, because many of these individuals came in and made small deposits, \$25 or \$50 at a time, but whenever it got up to as much as \$200—it seems the accounts were closely scanned to ascertain when there would be enough—then, when the depositor would come in to make the next one, the whole thing would be switched, and the personal note substituted.

The result of that was that when the bank closed, Mr. Smith says that some of them were presented—all of them were presented as claims. I rejected them. The holders were helpless, ignorant, did not know what to do. Some of them went to some attorneys and some to others. The result was that \$40,000 in suits were brought against me to establish claims on these notes. My opinion is that attorneys hold large numbers of them awaiting the outcome of these suits. Only two of them have been determined. The docket of the

local court the last two years has been continued generally because the bar as a whole requested it, saying that their entire activities were devoted to war work, and I have not been able to get these cases tried or determined. But while these were not admitted liabilities and were not classified or included as such in the list of liabilities as shown by my books, they necessarily had to be taken into consideration in the receivership and guarded against, and provision made for their payment.

Senator FLETCHER. You said two of the suits had been determined. How were they decided?

Mr. STRAWN. They were decided favorably to the bank. I got verdicts in both of those cases.

Senator FLETCHER. Were appeals taken in them, or was that final?

Mr. STRAWN. No, sir; no appeal has been taken. In connection with this, Mr. Jones, who was here before you a few days ago, is an attorney representing some of these litigants, the holders of these disputed claims against the bank.

Senator FLETCHER. He is asserting the liability of the bank on those claims?

Mr. STRAWN. Yes, sir. The president of the bank was Mr. J. V. Thompson, of Uniontown, whose principal business for years past had been speculation in coal lands. His purpose seemed to have been to acquire a monopoly of the undivided coal acreage of western Pennsylvania and of northern West Virginia; that is to say, of all the remaining acreage of coking coal of what is commonly known as the Pittsburgh vein, which is generally regarded as the only desirable coking coal in the country.

I was sent to Waynesburg some years before the failure at Uniontown, and was in charge of a bank there. That is right in the heart of Green County, where the largest area of this coal is situated.

The CHAIRMAN. Mr. Strawn, please pardon me. I do not understand that there is any dispute about that situation. The two items that are of consequence, so far as I am concerned, are the items relating to the sale of the real estate belonging to the bank, which Mr. Jones claims was sacrificed, and the declination of the comptroller to permit of the appointment of an agent to represent the stockholders.

Mr. STRAWN. Yes, sir.

The CHAIRMAN. Those two items, it seems to me, stand out as the items of consequence, and I do not wish to limit your testimony, but you understand that a mere repetition of facts that are admitted is taking up the time of the committee to no special purpose.

Mr. STRAWN. Yes, sir; and I desire to avoid that. But I think that in justice to myself, and as explanatory of the condition of the bank's affairs at the time I took up the sale of the building, it is necessary to recount, as briefly as possible, Mr. Thompson's transactions, the amount of his paper that was out, and the condition that necessitated the sale of the building. I will take very little time.

The CHAIRMAN. Very well.

Mr. STRAWN. In the course of his speculations he had incurred liabilities of approximately \$40,000,000. About half of that consisted of mortgage indebtedness, and the remainder of unsecured notes. As Mr. Jones stated, he had acquired 140,000 acres of coal lands. I do not know whether that acreage is correct, but I do know that his lia-

bilities approximated \$40,000,000 when the returns were all in. He had attempted to finance this largely through the medium of this Uniontown bank, and, as was explained by Mr. Smith, after the bank had closed, he declared on oath that his total liabilities, direct and indirect, amounted to \$900,000. His direct liabilities, or those on which his name appeared, were approximately \$200,000. These others were notes of other people whom, in some instances, he had induced to borrow money from the bank and loan it to him, or many other cases where he had made loans to these parties because he owed them money.

From the nature of his transactions it will be seen that liabilities of that sort, in the involved condition that Mr. Thompson was in, and considering the nature of his assets, nothing but coal lands, for which there was no demand at all, could not be collected. Upon an analysis of all the remainder of the bills receivable, I found that the greater portion of them consisted of loans he had made to other people for the purchase of coal lands that he had induced them to buy.

When the bank closed, it had only \$1,800 cash on hand. While its records showed that it had approximately \$100,000, the remainder consisted of Mr. Thompson's checks that he had paid out of the bank's funds, putting checks in the cash drawer and counting them as money. But it only had that amount of cash, plus probably three or four hundred dollars that was in the foreign exchange department; no money in the hands of the reserve agents or other banks, not a liquid asset inside of the bank. The loans were substantially all of the character I have indicated, and with his failure, which occurred at that time, the whole community was broke.

The total assets at the time of the failure were \$3,517,000 in round numbers, consisting of bills receivable of \$2,073,000, and other assets of \$1,444,000. The other assets were comprised chiefly of the real estate, valued at \$976,000; Mr. Thompson's overdrafts, and these cash items, these checks that he had paid out of the bank's funds and carried as money, frequently a hundred thousand dollars, and an overdraft of the county treasurer of about \$56,000. That arose from the fact that the county treasurer parted with some \$76,000 of the county's funds which he turned over to Mr. Thompson, in consideration of which Mr. Thompson permitted him to overdraw his account to the bank to that extent.

The CHAIRMAN. When did that happen?

Mr. STRAWN. That happened in July, 1914. The admitted liabilities, when they were all in, amounted to \$3,523,000. These consisted of liabilities to depositors of approximately a million and half; \$471,000 of emergency currency issued under the Aldridge-Vreeland Act, and which, it seems, the comptroller had permitted Mr. Thompson to obtain in his efforts to save the bank from destruction; and \$138,000 borrowed money, borrowed from the Farmers' Deposit National Bank of Pittsburgh, secured by a large number of bills receivable of the National Bank of Uniontown. The remainder of the liabilities consisted of borrowed assets, certain bonds that Mr. Thompson had borrowed and used as collateral security for the emergency currency.

In the summer of 1917 the affairs of the bank had been so far liquidated that the emergency currency had been paid off, the bor-

rowed money had been paid off, and 50 per cent in dividends had been paid to the depositors upon all claims proved. It was at this time that the matter of the sale of the bank building first came up.

In connection with the sale of the building, I have to say that the matter first arose from the fact that people who wanted to purchase came to me and wanted to buy, and I refused from time to time to consider their offers, or to refer them to the comptroller, because I regarded them as grossly inadequate. There were several different competing groups of bidders, and in this connection I wish to deny Mr. Jones's statement that there was only one party who could buy that building or would buy it. At the sale there were some four or five different parties competing and bidding against each other.

So, when from the conferences that I had with these different prospective purchasers I became convinced that the property could be sold at an adequate price, I then gave careful consideration to the question as to the necessity for the sale of the building and the propriety or advisability, and the adequacy of the price that would be necessary to justify this sale.

Senator GRONNA. When you are speaking of the building, Mr. Strawn, does that mean all the buildings that Mr. Smith referred to, or just the bank building?

Mr. STRAWN. It is just the bank building and the opera house, which, really, really constitute one property. I was going to explain that a little later.

In arriving at a decision as to the necessity for the sale of the building, I wish to point out one thing. Mr. Jones correctly stated the fact that the capital and surplus of the bank amounted approximately to \$1,100,000. The bank's real estate was carried at \$976,000. The capital and surplus represent the entire margin of the assets over and above the amount necessary to pay the debts. If, therefore, the bank had \$976,000 tied up in real estate, it could sustain the loss of only the difference between that and the \$1,100,000 before it became necessary to resort to the real estate to pay the creditors.

Upon my analysis of the assets, then, I found that they consisted at that time of bills receivable of \$987,000, and other assets, comprising chiefly the bank real estate, and the Thompson overdraft, \$1,016,000. I found also that over \$116,000 of the bills receivable had been ascertained to be wholly bad, and of the remainder \$600,000 of them consisted of claims against Mr. Thompson, who was in bankruptcy; Mr. I. W. Seaman, who was in bankruptcy; various others of Mr. Thompson's associates who were in bankruptcy, or had been in receiverships, and who were hopelessly involved financially. That was \$600,000 out of \$987,000. Add to that the \$116,000 that was found to be wholly bad, and it made something over \$700,000.

I found also that I had about seventy-five or eighty thousand dollars of notes of Mr. Thompson's relatives who were not in precisely the same financial condition he was in but whose assets were principally in real estate and who could not pay. On an analysis of the remainder I found they consisted almost wholly of notes of people who had borrowed money to buy coal lands that were unsalable. In other words, I had arrived at the point where I could realize on no more collections unless I sold the building, which was the most liquid asset that I had.

The liabilities at that time were 50 per cent of the unpaid proved liabilities, and that 50 per cent amounted approximately to \$592,000. There were, in addition, 272 claims proved where the liabilities were admitted. The interest that had accrued on the deposits and which the law secured to the depositors amounted to about \$220,000, making a total of \$1,080,000.

Senator GRONNA. You got an order from the court to sell this building?

Mr. STRAWN. Yes, sir. I could not have sold it without an order of court. In other words, there were \$1,080,000 liabilities to be liquidated, and without any assets out of which further collections could be made at that time because they were all tied up.

Furthermore, as to the expediency of the sale there were a large number of people who were well able to buy. Coke operators, bankers, and others engaged in the coke business had made fabulous profits during the war and there was an abundance of money.

Senator FLETCHER. What was the character of the real estate?

Mr. STRAWN. The real estate consisted of the bank building proper, which was an 11-story structure of brick and stone construction with a building on the same lot adjacent to it—an opera house—and three pieces of property across the street to the rear. One of them was a three-story brick structure rented to a printing establishment and to a club. The other was a post-office building, and the third a vacant lot.

The whole of this real estate was assessed, for purposes of taxation, at \$300,000 when the bank closed. They subsequently raised that assessment to \$315,000 and I believe at about the time I sold it they added another \$5,000 on to the assessment, making not to exceed \$320,000. Under the laws of Pennsylvania they are presumed to assess real estate at its value, although in practice I find that the valuations are always low. But \$315,000 was the assessed valuation of all of this property.

I sold the bank building and the opera house, really constituting one structure, and retained the other property. The other property, in my opinion, is fairly worth some \$100,000 to \$150,000. So that, deducting that from the total value of the real estate, \$976,000, would leave the book value of the property I sold at somewhere from \$800,000 to \$850,000.

Upon careful investigation I found that the property was carried at cost, approximately. There had been some charge of, as I had been informed, for depreciation, but the amounts were not great.

The CHAIRMAN. How old a building was it?

Mr. STRAWN. The building was constructed about the year 1901. It was 17 years old at that time.

The CHAIRMAN. Do you know what it cost?

Mr. STRAWN. Only from the books of the bank. I did not go back. I had inquired from the bank officials. None of them claimed or pretended that this property was worth more than the book value, or that it cost any more than that.

I investigated the matter of the income during the year it had been in operation. I found that for the first half of the period the net income was around \$30,000, and that it never did exceed \$35,000. From the time I took charge of the bank, and for the year before it was sold, I had been able to increase the yield up to about \$44,000.

the facts and with the value of the property. He had to be, because these petitions to restrain the sale had been filed before him, tried before him, the whole matter thoroughly aired, and the court knew that if the price bid was inadequate the interested parties would be there to object; and not one of them was there. They have never appeared to object. There has never been any complaint made about the sale of that building from that day to this, unless it is by Mr. Thompson. He did not want it sold because he did not want any of his assets sold. In the administration of his estate his policy has been to hold everything together. His creditors have never been paid 1 cent, his unsecured creditors, from the day he failed. None of his secured creditors have ever been paid anything except in instances where they had mortgages on the property and the property was sold, and they had to pay it.

Senator FLETCHER. Did he fail before the bank failed?

Mr. STRAWN. At the same time.

Senator FLETCHER. How long had you been receiver at the time of the sale of the real estate?

Mr. STRAWN. The sale was made in February, 1918, and I was appointed receiver in April, 1915.

Senator FLETCHER. I should think that would give him time to wind up his affairs.

Mr. STRAWN. Yes, sir. I thought so. When I said the property brought from 80 to 90 per cent of its value I meant its book value, the value carried on the books.

Senator FLETCHER. Real estate generally in 1918 was not very active anywhere in the country, was it?

Mr. STRAWN. I think not. But it never was in Uniontown.

The CHAIRMAN. You say there was plenty of money there and there was a demand for two new bank sites?

Mr. STRAWN. Yes, sir. It was a fortunate time, and that is the reason I proceeded to the sale of the building. There were not only two banks wanting these sites, but there were other individuals bidding as well. Mr. Jones stated there was only one purchaser at that sale. That is not true. There was Mr. James I. Feather, who bought the property in by making the highest bid. There was the Citizens Title & Trust Co. bidding on the property. There was Mr. W. A. Stone, an officer of that company, who was bidding for himself. There was Mr. F. E. Markell, of Connellsville, representing himself and other associates, who was there bidding on the property. There was a Mr. Sherrard, who, with his brothers, is worth sufficient money to buy this property, and they bid on it. There were also some others who I was informed were there for the purpose of bidding who remained silent because Mr. Feather and Mr. Stone took the lead and bid this up so fast, so quickly, that it bowled them out.

The CHAIRMAN. It seems rather strange that in a dead town which had no future there should be men with money looking for bank sites.

Mr. STRAWN. These were all old established banks who had outgrown their business and wanted new quarters. I am not saying that the property is not valuable—it is. But the fact remains that while during the period of the war it has been filled with tenants, yet before the war it was not. You see, that place is the center of the coke industry, and there was a vast expansion of business there

during the war, fabulous sums of money made. Those coke concerns wanted additional space temporarily for their offices, and there were many people wanting to engage in the brokerage business. On return to normal times, it is extremely doubtful whether the building will be filled with tenants or not. There were a great many vacancies in the property when I went there, and the only reason why I was able to increase the income was that I succeeded in filling those vacancies before I sold the property.

Senator GRONNA. Was there a considerable increase in the population of this town during the war?

Mr. STRAWN. Not so far as I know. I think it remained stationary. The coke industry there reached the crest of its development several years ago. I do not think Uniontown is retrograding at the present time, but will in the future as those properties are worked out. They are being worked out rather rapidly.

Senator GRONNA. Did a great number of people go to war from that locality?

Mr. STRAWN. Yes, sir.

Senator GRONNA. I suppose as those return there naturally will be an increase, probably, above the normal population?

Mr. STRAWN. That will be offset by the fact that these foreign coke workers are returning to the old country. I understand that the steamship agencies are simply swamped with applications for passage.

Senator GRONNA. I do not know that it has any bearing on the case, Mr. Chairman, but Mr. Strawn stated this afternoon—and I agree with him entirely—that there is considerable importance in the fact that these men have been defrauded by these officials, have been led to believe that they deposited money in a banking institution, and then individual notes had been given to them. I would like to know if any of those men have been paid.

Mr. STRAWN. Not to my knowledge, except that I understand occasionally a small sum in the way of interest, a few dollars, probably, would be handed to them.

Senator FLETCHER. What did they all amount to?

Mr. STRAWN. The total of those presented to me exceeded \$400,000.

Senator GRONNA. So, really all they have is the sympathy of the community and of yourself?

Mr. STRAWN. Yes, sir.

Senator GRONNA. And Thompson's notes.

Mr. STRAWN. Yes, sir; and those of Assistant Cashier Seamans.

Senator FLETCHER. What is the number of these depositors?

Mr. STRAWN. Of these foreigners who hold those notes?

Senator FLETCHER. Yes.

Mr. STRAWN. I do not think I ever counted them up, but it covers two long pages. I should say there were probably several hundred of them. It took several pages to hold them.

Senator FLETCHER. There must have been several hundred, unless they had large amounts to their credit.

Mr. STRAWN. Some of them were considerable, sums ranging from a few hundred dollars up to three or four thousand dollars at times.

Senator GRONNA. Would you consider that Mr. Thompson, in this case, is both morally and legally responsible to those people of those amounts?

Mr. STRAWN. Yes, sir. Mr. Thompson is; yes, sir. And the moral and legal responsibility are, in my opinion, very great.

Senator GRONNA. I agree with you. How long had you known that this banking institution had conducted its affairs as described by Mr. Smith?

Mr. STRAWN. Bank examiners will not talk to me and tell me about conditions inside of any specific bank any more than they will to a stranger, but those of us who were familiar with those things and lived in that region knew the desperate condition of his affairs and his reckless methods for a number of years. I gained probably the greatest knowledge down in the Second National Bank of Pittsburgh when it closed. I was sent down there, not as receiver, but to assist Receiver Murray, and had charge of a large part of the affairs of that receivership. I found that Mr. Thompson had several hundred thousand dollars in debts there, and collateral of the sort that he had, that he could not pay, and that he had been a constant source of trouble to them for years, and along with that I found out that he had huge liabilities to other banks, and I was informed at that time that his total liabilities exceeded \$23,000,000. He never would give out a statement. Nobody knew for sure.

The CHAIRMAN. He was the president of the Pittsburgh bank?

Mr. STRAWN. No, sir; the president of the First National Bank of Uniontown.

The CHAIRMAN. Who was president of the Pittsburgh bank that failed?

Mr. STRAWN. At the time it closed?

The CHAIRMAN. Yes.

Mr. STRAWN. Mr. Oscar L. Telling.

The CHAIRMAN. I thought you had gotten information from the failure of the Pittsburgh bank that led you to believe Mr. Thompson's bank would fail.

Mr. STRAWN. Yes, sir. The Pittsburgh bank failed. I was assigned there with the receiver to liquidate its affairs.

The CHAIRMAN. When was that?

Mr. STRAWN. It was in 1913. That bank subsequently reopened, and while I was in there I found that Mr. Thompson had borrowed a huge sum of money from that bank, and in the attempt to collect that I gained a considerable knowledge of his affairs. But his financial condition and his reckless methods were matters of common knowledge over the whole region.

The CHAIRMAN. That was in 1913?

Mr. STRAWN. Yes, sir.

Senator GRONNA. It was generally known that he was a plunger and speculator and not a safe man to conduct the affairs of a bank?

Mr. STRAWN. Yes, sir. It was known that he was offering large bonuses and commissions to people who would procure loans for him. He had his notes in the hands of note brokers, who were offering them indiscriminately everywhere.

The CHAIRMAN. Prior to 1913?

Mr. STRAWN. From 1913 to 1914. That was as the end approached. I well remember that in Waynesburg. I got letters from note brokers myself offering Mr. Thompson's \$10,000 note for four months at 6 per cent interest for \$8,500 in cash. The bonus there they offered to the purchaser was \$1,500 for one-third of a year. Multi-

plied by three the bonus would be at the rate of \$4,500 a year, and at 6 per cent interest that the note carried, there is something over 51 per cent.

Senator GRONNA. At the time you took charge of his bank as receiver, how much did the bank owe the Government?

Mr. STRAWN. \$471,000.

Senator GRONNA. How long had the bank owed that money?

Mr. STRAWN. Not very long. The currency was not issued all at one time, but it was along in November, 1914. As a matter of fact, the failure was caused by distrust of depositors, who withdrew their money, and the emergency currency that was issued there was very quickly exhausted by withdrawals.

The CHAIRMAN. There was a run on the bank?

Mr. STRAWN. It was a run in a way, but simply steady withdrawals for months. There was no panicky run there—I understand, I was not there at the time—but every day there would be considerable withdrawals, leaving the bank that much poorer. Then, besides, Thompson's notes had been maturing, they were coming in by the cord.

The CHAIRMAN. This emergency currency was issued to stay that run, carry it by?

Mr. STRAWN. I think so. So they borrowed money, and then, in addition to that, my information is that Mr. Hackey, the cashier, who is a man of large means, went through the assets of the bank and took out all of the bills receivable that he was willing to take a chance on, putting money in place of them, which was perfectly legitimate; and that then in the end all the other bankers of Uniontown came and raked and crossraked the assets and took all that they were willing to take, and when that was gone then the bank had to suspend simply from sheer inability to go any further. They had no money, no assets on which any money could be realized, and there were depositors waiting to be paid.

I want to add this in connection with the sale of that bank building. As I stated, the property was sold for nearly the full value at which it was carried on the books. That value represented the actual cost that the creditors, or the stockholders, were given the opportunity, not only given the opportunity, but invited and urged to go into court to show that the price was inadequate if they were dissatisfied with it. They failed to do it, and not one of them appeared.

Now, what is more, more than 50 per cent of the stock of this bank belonged to Mr. Thompson; 505 shares of it, constituting more than half of all the stock, had been pledged by Mr. Thompson with the Farmers' Deposit National Bank, of Pittsburgh, as collateral for personal loans Mr. Thompson had obtained there. Consequently, that bank had a large financial interest in the sale of this building.

At the time I was offering it Mr. T. H. Given, who was president of the bank, was somewhat concerned, because he said to me he doubted whether the building would bring a fair price. I told Mr. Given that I was simply offering the property, and that if the bid was inadequate, I would not ask the court to confirm it, and that I would consult him before I did. So, the day after the sale I called Mr. Given up by telephone and told him that the property—that is, just the buildings; I wish that to be remembered, that there is \$100,000 to \$150,000 worth of real estate left—that I had sold the

building for \$700,000 subject to the approval of the court, and I wanted to know whether he thought the price was adequate. He said to me, "I am entirely satisfied. I am very well pleased, and I want to congratulate you on the sale. Go ahead with your petition to the court for confirmation." That was from a man whose bank held some \$600,000 to \$700,000 of Mr. Thompson's personal notes for which this stock, together with other collateral, had been put up as security.

Now, as to Mr. Jones's statement as to the appraisals of that property, which in one instance he said was \$1,820,000, and in another case he said it was from \$1,250,000 to \$1,500,000—if any appraisal has ever been made it must have been made by some individual whom Mr. Jones had procured for that purpose, and I venture the assertion that there is no competent, reliable appraiser or a judge of real estate values who will say that that property is worth anywhere near that, or worth, at the maximum, more than the amount at which it was carried on the books.

I had not been informed of Mr. Jones's testimony before I came down here, and I did not have the opportunity then, but I expect later to procure affidavits of representative people there as to this sale. I got one of them to-day, from Mr. F. E. Markell, president of the Citizens' National Bank of Connellsville, Pa., one of the most reputable and prominent men in that community.

The CHAIRMAN. Do you want to read that?

Mr. STRAWN. I want to place it in the record.

The CHAIRMAN. Will it be necessary to read it? It will go in the record.

Mr. STRAWN. It is very short.

The CHAIRMAN. Are there others to come?

Mr. STRAWN. This is the only one I have to-day.

The CHAIRMAN. Very well.

Mr. STRAWN. I may say that Mr. Markell, as he was interested in the purchase of the building, made thorough inquiry into the cost, the value, the income, everything connected with the property. He makes this affidavit:

STATE OF PENNSYLVANIA.

County of Fayette, ss:

F. E. Markell, being duly sworn according to law, doth depose and say, that he resides in Connellsville Township, Fayette County, Pa.; that he is well acquainted with the First National Bank Building, situate in the city of Uniontown, Fayette County, Pa., sold by John H. Strawn, receiver; that he is acquainted in general with the real estate values in the city of Uniontown and in the vicinity of the said building; that the price of \$700,000 for which the said building was sold is fully adequate and, in the opinion of deponent, a very good price to be received therefor.

F. E. MARKELL.

Sworn and subscribed before me this 17th day of July, 1919.

EDITH HARRIS, *Notary Public*.

My commission expires January 31, 1923.

In connection with the sale of the building, there are certain statements I find made by Mr. Jones that I wish to refute, one of which was that the sale of the building, or of this collateral, first, that the sale of this building furnished sufficient funds to pay the depositors in full. That was not true. As I have stated, the liabilities to be liquidated at that time amounted to more than a million and fifty

thousand dollars. This property brought \$700,000, and it was necessary for me to collect \$350,000 additional before the final payment to creditors could be made, and even at that, all of these contingent and disputed liabilities are still unliquidated.

He made a statement as to the increase in rents, which was merely conjecture on his part. I have an office in the building. He said that the rents had been increased probably 50 per cent. They have not. The increase has been practically 20 per cent. Along with that there has been great increase in the cost of operation of the building, due to rise in wages necessary to pay employees and in the cost of fuel and everything else. So that it would not materially affect the net income.

Senator FLETCHER. Purchasers took possession right away after the sale and the confirmation?

Mr. STRAWN. Yes, sir; as soon as the sale was confirmed. He speaks of the meeting of depositors and creditors. That was called at the instigation of Mr. Thompson, held the night before the sale took place. I was not advised of it, and not advised to be present. They did not communicate with me at all nor advance any argument why this building should not be sold. They held this meeting instead. There are 4,000 depositors of that bank. At this meeting, as I was informed, there were about a hundred people, most of them personal Thompson adherents, a few of them depositors, and many others who went there out of curiosity. The meeting was in no sense representative of the sentiment of the depositors of the bank.

Senator GRONNA. Was Thompson opposed to the sale of the building?

Mr. STRAWN. Oh, yes, sir. He has been opposed to the sale of any of the assets of his estate except where he made the sale himself. There have been some sales of coal lands that he has made, but outside of that he has objected to the sale of any of his assets.

Senator GRONNA. Have the sales of coal lands been cash transactions, or have the sales been on time?

Mr. STRAWN. I think the sales have been largely for cash. Purchases were made by a concern called the Cumberland Coal Co., which is a subsidiary, as I understand, of the Frick Co., or the Steel Corporation, and they paid money for it. I think that covers all in reference to the bank building, unless there are any questions to be asked. I wanted to have something to say about the matter of this pledge of stock. That, however, I think has been fully covered by Mr. Wendt and Mr. Smith.

I do desire to say that Mr. Jones has not correctly stated my position in relation to the application of the proceeds of that pledge. The pledge is a legal document in which other people have rights, and will have to be construed by the court. Mr. Thompson and his attorney came to me with the wholly unreasonable request that I myself usurp the functions of the court and say how the proceeds of this pledge should be applied. I replied to that that I could not do that; that if I was presumptuous enough to attempt to, it would have no weight whatever; that the only one who could construe that pledge and direct the application of the proceeds is the court. I said to them, when they asked me how I interpreted that agreement, that the only thing I was sure of was that it could be applied to the payment of Mr. Thompson's direct or expressed liabilities. As to the other, I did not know that—it would take a decision of the

could not make any recommendation as to the fixing the bond until the final dividend was paid, as under the provisions of the law the bond was required to be given by the shareholders to the comptroller, binding themselves to pay any debt that should be thereafter approved by a court of competent jurisdiction against the insolvent bank and for the due execution of the trust; that that matter could not be determined until it was ascertained what the condition of the trust would be at the time it was closed; that there were numerous outstanding claims, some of which were admitted, and a great many of which were contested, including the \$400,000 of claims which have been spoken of.

Mr. Jones came to my office two or three, perhaps four times, subsequent to that, and made the same inquiry; and at one of these meetings he insisted that the proceeds of this collateral stock which has been mentioned should be applied not only to Mr. Thompson's direct indebtedness, but to his indirect indebtedness which, for the first time, then, I knew was claimed to amount to about \$900,000.

He wanted me to write a letter for the comptroller, stating to him that that should be done. I replied that the comptroller had not framed the conditions of the trust under which he held this pledge: that it was made by the court by the consent of Mr. Thompson, the pledgor, and his counsel, and by the consent of the attorney who was representing the comptroller, that there was no controversy about that; that the court had prescribed the terms on which the collateral was held.

I may say this collateral had been deposited theretofore with Mr. Thompson's attorney in New York, McCombs, Ryan & Gordon, for the purpose of securing the creditors of the First National Bank of Uniontown, primarily, as was understood, although there was no written statement or memorandum made, and to secure the debts of Mr. Thompson to other national banks. That stock was deposited on demand of the comptroller prior to the time that the bank was declared insolvent and went into the hands of the receiver, and was due to a condition, the existing condition of the bank.

The comptroller called for Mr. Thompson to come to Washington, as the records will show, though I was not here at the time, and made a demand that he do something, to put up some property or some collateral to secure the depositors of the bank. It was agreed that it should be done in this way, that Mr. Thompson had some undeveloped coal properties in West Virginia and that a corporation would be formed by his counsel, Mr. Ryan, and stock would be issued to him, and that stock put up with Mr. Ryan for the purpose of securing the First National Bank of Uniontown and other national banks to which Mr. Thompson was indebted.

After the bank went into the hands of a receiver—and this was after I became counsel for the receivers—it was found that Mr. Thompson would have to go into bankruptcy, and that by reason of loose, indefinite manner in which this collateral was held, something had to be done to protect the creditors of the First National Bank of Uniontown; that if Mr. Thompson went into bankruptcy the probability was that it would go to his general creditors, and that the creditors of the national banks would not have the benefit which was intended they should have of that stock.

So the comptroller took the matter up with Mr. Wendt, who had been the general counsel for the receivers of the First National Bank of Uniontown, and he carried on the correspondence with McCombs, Ryan & Gordon, setting forth the necessity of having this collateral placed in a satisfactory and definite manner for the security of the parties that it was intended to secure. They admitted the necessity for it.

In the meantime a receiver's and creditors' committee had been appointed and had taken charge of the estate of Mr. Thompson. Mr. Ryan insisting that he was not to turn the collateral over without the protection of an order of court; and a petition was filed in court setting forth the objects for which the security was held, and this was admitted by Mr. Thompson and by his receivers, and I believe, by his trustees—no; he had not at that time gone into bankruptcy—but by Mr. Thompson and the receivers and his committee, and the terms of the pledge were fixed as has been stated.

Mr. Jones insisted that the comptroller should give him a letter stating that that was not only to secure Mr. Thompson's direct indebtedness which he had under sworn statement made at the last examination, as I understand, before the failure of the bank that amounted to about \$200,000 and covered his direct and indirect indebtedness. I said to Mr. Jones, "This matter is entirely in the hands of the court." But in the meantime the comptroller had instituted a suit in the District Court for the Western District of Pennsylvania, asking for the sale of this stock and for the court to determine where the proceeds should go. I stated to Mr. Jones that whatever the comptroller would say would have no effect, that there was an agreement made between Mr. Thompson, assented to by him, and that the language of the agreement and of the decree would have to be determined by the court, and whatever view Mr. Williams would take of it, as the comptroller, would have no effect with the court. But he insisted that Mr. Williams's view would control, and I said to him that I would not advise Mr. Williams to undertake to dictate to the court as to the construction of that paper.

I heard no more from Mr. Jones until some time in this month. I had been at my home in Virginia, detained by sickness, and when I arrived here I was told by some one in my office that Mr. Jones had called. The call seems to have been made by reason of the letter which he introduced here, of June 30, in which a reply had been given by some one in my office that I would be here on the following Thursday morning, as I had advised the office I would be. Mr. Jones came on that day. I left home in time to reach here on Thursday as I expected, but there was a washout on the Norfolk & Western road, and while the ordinary time between my home and Washington is 12 hours, I was more than 36 hours in reaching here, and in the meantime Mr. Jones had written a letter, to my attention, asking therein when the shareholders' agent would be elected. That letter was forwarded to my home in Virginia, and was not received by me until the morning of the 8th of this month. I replied to him at once that the papers were then being prepared for the election of the shareholders' agent, and that the bond had been fixed at \$150,000.

I had told Mr. Jones previously that when the notice for the election of the shareholders' agent was given I would advise him.

The CHAIRMAN. When was the final dividend paid?

Mr. BUCHANAN. The final dividend was authorized about the middle of April of this year. That required the drawing of about 4,200 checks and the distribution of the checks.

The CHAIRMAN. The money was at hand?

Mr. BUCHANAN. The money was at hand.

The CHAIRMAN. In April last?

Mr. BUCHANAN. About the middle of April.

The CHAIRMAN. Any time after that it was proper to appoint the agent?

Mr. BUCHANAN. Any time after that it was proper to appoint the agent, after the dividend was paid and satisfied and the expenses of the office ascertained and found out.

It takes some time, as you can appreciate, to draw 4,200 checks. The dividend was authorized about the middle of April, and then we required schedules to be made out and receipts. Then the receivers correspond with each creditor and send him a receipt. He must sign that receipt and return it. That is the original receiver's certificate, and when those are delivered to the receiver he just forwards the dividend check.

So that the dividend checks had been prepared and were being distributed, and we took steps immediately for the selection of the shareholders' agent. On my return to Washington those immediate steps were taken. A notice was prepared. We would have a set of forms to be made out, and we forward them to the receiver. Mr. Jones was notified.

A telegram was then received at my office from Mr. Jones as to whether he could see me and the comptroller on the next morning. I believe. That was the 8th of July. The comptroller wired him that he would see him, and Mr. Jones came and insisted again that the comptroller should give this letter to him, stating that the court should direct this \$970,000 paid. I again told him that could not be done, and that I, as an attorney, would not put myself in that position to dictate or attempt to dictate to the court a matter that it was the court's duty to construe and as to which he had directed testimony to be taken by a master.

Mr. Jones said, "I have been trying to get this letter since last November"—I will not undertake to give his exact language—"and if I can not get it I am going before the committee and expose this transaction."

Mr. Williams immediately said, "Mr. Jones, you can get nothing from this office by threats. You go before the committee. There is where you ought to go."

I started to leave the room. Mr. Jones said that he had not intended to make any threat, but that he would state his case before the committee and make his complaint here. Mr. Williams told him that was perfectly satisfactory, that if he felt that way about it is was his duty to do it.

Mr. Jones then asked me if he could go with me to my office. I told him certainly, he could, and he then said, still persisting in regard to the letter, "I think I can satisfy you that this letter should be given. If I can furnish you, or if you will agree to read some documents which are not in my possession, but which I will attempt to get and to send you, I think I can satisfy you." I said,

"Mr. Jones, I will be very glad to read anything that you send, and to consider it."

As to the sale of the bank building I desire to make a very brief statement.

Senator FLETCHER. Did he ever send any documents?

Mr. BUCHANAN. No, sir; he has not.

The CHAIRMAN. Make this clear before leaving it, please. As I understand you, the depositors were paid in April?

Mr. BUCHANAN. The dividend was authorized then.

The CHAIRMAN. The cash was ready and there was nothing to interfere with the appointment of an agent for the shareholders?

Mr. BUCHANAN. No, sir.

The CHAIRMAN. And Mr. Jones was persistent in his efforts to have that agent appointed, but the comptroller declined until, as a matter of fact, I think he had been here in the committee two days, when he got a communication from the comptroller that his request would be granted.

Mr. BUCHANAN. I do not know. That letter was written on the 8th. I think he said he was in Washington on the 8th. The letter was written on the morning of the 8th, but—

The CHAIRMAN. That was a coincidence, that the delay had continued for two or three months until he appeared in the committee room? I did not know whether you had any explanation to make of that or not.

Mr. BUCHANAN. It may be a coincidence, Senator, but it had nothing to do with the—

The CHAIRMAN. Very well; you may proceed.

Mr. BUCHANAN. I desire to add this—that Mr. Jones at this meeting said that he did not want the shareholders' meeting held and asked me if I would not defer it.

The CHAIRMAN. What meeting is that?

Mr. BUCHANAN. The shareholders' meeting, to elect the shareholders' agent. At his last interview he requested me to withhold notice. The notice had already been sent.

Senator FLETCHER. You mean the meeting in the comptroller's office?

Mr. BUCHANAN. Yes, sir; the meeting in my office.

Senator FLETCHER. Your office?

Mr. BUCHANAN. Yes, sir. And he gave as his reason that some party who held some stock had died and that he would like to have the meeting deferred. I asked him at whose request. He said he had not consulted with anybody. I told him if he would get the request of the shareholders who were interested I would give it consideration, and, in the meantime would direct the receiver to withhold the notice for a week in order for him to get me the information or to communicate the desire of the shareholders.

The CHAIRMAN. In regard to this building—

Mr. BUCHANAN. Yes, sir; I will come to that.

The CHAIRMAN. Mr. Jones has made his statement, and we have listened to-day to the testimony of the receiver and the examiner in regard to that. When Mr. Jones finished his testimony the other day it was understood that he was to secure for the committee appraisals of this property to substantiate his statement.

Mr. BUCHANAN. Yes, sir.

The CHAIRMAN. Do you not think you had better defer any statement you have on that subject until you wait and see whether he furnishes those appraisals or not? I do not believe that his testimony with regard to that matter will have very much weight with the committee unless he substantiates it by some other testimony than his own. I do not know how the other members of the committee feel about it.

Mr. BUCHANAN. Of course, I am subject to the wishes of the committee.

The CHAIRMAN. If he brings in testimony of disinterested and competent engineers estimating the value of that property as largely in excess of the statements of the witnesses who have already been introduced, you will have an opportunity to reply in any way you see fit; but until he does I do not think it is worth while to take up the time of the committee on that matter.

Mr. BUCHANAN. Very well. May I make just one statement to call your attention to the fact that no asset of an insolvent national bank can be sold except by order of court?

The CHAIRMAN. We understand that.

Senator FLETCHER. I was going to say, in connection with what the chairman mentioned, that my observation is that you can get as many opinions about the value of a building in a town as there are people in the town, almost, and those opinions vary all the way from what may be regarded as insignificant values up to the blue sky. I will be controlled very largely in my judgment about this by the orders of the court.

The CHAIRMAN. I have called attention of the witnesses who have preceded to that fact.

Senator FLETCHER. Estimates of value were made and then finally the sale was made and the sale was confirmed by the court. It seems to me that that is all that is necessary.

The CHAIRMAN. I quite agree with you, Senator.

Mr. BUCHANAN. May I file with the committee as a part of the record a report of the sale made of the bank in a daily paper of Uniontown?

The CHAIRMAN. If you think it is necessary to cumber the record with it.

Mr. BUCHANAN. It is a very short editorial.

The CHAIRMAN. We are printing a lot of stuff here that is of no sort of consequence, it seems to me, in the determination of this matter.

Mr. BUCHANAN. It simply gives the names of the bidders and the order in which the bids were made.

(The newspaper report referred to by Mr. Buchanan is as follows:)

[Daily News-Standard, Uniontown, Pa., Saturday, Feb. 23, 1918.]

James I. Feather, State Senator William E. Crow, and other interests purchased the First National Bank Building for \$700,000, a price unanticipated, 10 minutes after the bidding started this afternoon in the arcade of the bank building. His chief competitor was William A. Stone, bidding for himself and the Citizens' Title & Trust Co.

The sale was unostentatious. Receiver John H. Strawn, promptly at 2 o'clock, mounted a wooden box and announced the terms of sale. After read-

ing the conditions and restrictions, as published in the columns of the Daily News-Standard, Mr. Strawn gave way to Auctioneer Charles M. Fee.

The latter started the bidding at \$500,000. Albert Gaddis immediately raised the price to \$525,000. Mr. Feather advanced the figure to \$550,000. Albert Gaddis made it \$575,000. William J. Sherrard, of Vanderbilt, was responsible for raising the figure to \$625,000. From that point the bidding narrowed to W. A. Stone and Mr. Feather. Feather, \$670,000; Stone, \$671,000; Feather, \$690,000; Stone, \$681,000; Feather, \$690,000; Stone, \$691,000; Feather, \$700,000. "I'm done," said Mr. Stone.

While Auctioneer Fee was crying the sale for the third and last time, Receiver Strawn interrupted to say that it was the full purpose of the Government to make the sale, and the opportunity existed to buy. For a full minute dead silence and when there was no move, the auctioneer pronounced the binding words, "sold." Mr. Feather had a check for \$20,000 in cash, in his pocket, which he turned over immediately to the receiver in accordance with the terms of the sale.

Mr. Strawn announced that an order for the confirmation of the sale would be presented to the United States district court in Pittsburgh, Friday, March 1. The property purchased includes the First National Bank Building and the Grand Opera House.

Mr. WILLIAMS. May I detain you for a few minutes in connection with the interview mentioned?

The CHAIRMAN. Proceed.

ADDITIONAL STATEMENT OF HON. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY.

Mr. WILLIAMS. I had never met Mr. Jones in my life and I had not been posted in regard to the desultory correspondence which he appears to have had with one of the counsel of the comptroller's office.

One day last week—I think it was Thursday—anyhow, one day last week I received a telegram signed by Mr. Jones dated, I think, Uniontown, Pa., asking if he could see me and Gov. Buchanan the next day in Washington. I had not the remotest idea of what he wanted to see us about, but I directed my secretary to telegraph at once that Gov. Buchanan and I could see him at 1 o'clock on the following day, which, I think, was Friday.

I was duly advised the next day that Mr. Jones had arrived and that it had been noticed that he was one of those who were attending the meetings of this committee.

Why he was interested in the proceedings of the committee I did not know.

At 1 o'clock he came to the office, and Gov. Buchanan and I had a talk with him. He then said that he had tried several times, ineffectually, to see me. I said, "Mr. Jones, this is the first I have heard of it." He then referred to some occasion last November, I think, when he had come to the department apparently desiring to see Gov. Buchanan and that he being away at the time had been referred to my office, and I was out, and he saw neither of us that day, as I understand it.

I said, "When have you ever tried to see me again?" and he mentioned some little time ago when he said he had called at the Treasury, not by appointment, at my office, and that I was attending a railroad conference. I presume it must have been on some Thursday, because I have occasion sometimes to attend conferences on

Thursdays which take up perhaps an hour or two. I am not certain exactly how long it may take me. It appears from his statement that my secretary had told him that I was at a conference and it would be uncertain when I would return. It appears from his statement that he waited at my office and that as I did not come back within an hour or two, he left.

The matter was not even mentioned to me; it was not thought of sufficient consequence that he had been there. He did not explain, as far as I know, the nature of his business or advise that it was a matter of any importance so I did not have the opportunity of seeing him. I asked Mr. Jones, "Do I understand you to suggest or imply most remotely that I desired to avoid seeing you for any reason whatsoever?" He said, "Certainly not, Mr. Williams. I understand that fully." That was the assurance which he gave me when he suggested to me, as he had done to the committee, that I avoid seeing him.

He then proceeded to discuss the old Thompson agreement. I said, "Mr. Jones, that is a matter which is in the hands of counsel for this office." He said, "Yes, but I want you to make me a statement in regard to it." I said, "That is a matter which I am going to leave to counsel, Mr. Jones." He said, "Do you refuse to give me a letter stating what you will do in this or that event?" I said, "The matter will be left entirely with counsel, and he will handle it as he thinks best. I have entire confidence that he will do the wise and proper and legal thing about this matter, and I must refer you to Gov. Buchanan." He said, "Well, if you refuse to give me that letter I will just have to go before the committee." I said, "Now, Mr. Jones, if you want to go before the committee I am very eager that you should do so. Please do so. But please understand that no suggestion of that sort will move us one iota to depart from what we believe is the right practice and proper thing in this case." He said, "If you will give me that letter I will not go before the committee."

He made that distinct proposition. "If you will give me the letter I will not go before the committee." I said, "No, Mr. Jones. That is not the way to discuss this proposition. You can go before the committee any time you please, but I will not give you that letter or promise to give you the letter; and the only thing I will do is to refer you to counsel for this office and he will deal with you justly and fairly."

The CHAIRMAN. What was the cause of the delay in the appointment of this agent to represent the shareholders?

Mr. WILLIAMS. Why, Senator, I am glad you reminded me of that. There has been no delay; there has been no delay at all. As a matter of fact, Gov. Buchanan has just explained here that Mr. Jones himself asked for a delay of several weeks more. The trust has been an important one, involving three or four millions of dollars of claims, and they are outstanding at this time, and over \$400,000 of contingent claims, contingent liabilities, the liability of which has been asserted by Mr. Jones himself as attorney for one of these poor, hard-working coke earners who were swindled by the officers of that bank who imposed upon them in the similitude of certificates of deposits their private due bills.

The CHAIRMAN. Do you know how long that custom had been followed?

Mr. WILLIAMS. It had been going on, as I discovered, Mr. Chairman and gentlemen, for several years. It was first discovered when I discovered it.

I said, "Mr. Jones, that practice has got to stop." He said, "All right, Mr. Comptroller; I will stop it"——

The CHAIRMAN. You mean Mr. Thompson?

Mr. WILLIAMS. Mr. Thompson; yes. He said, "I will stop it when I go back." I said, "No; it will not stop when you get back; it stops to-day."

When I first heard of it——

The CHAIRMAN. When was that?

Mr. WILLIAMS. That was in one of the frequent conferences which I held with Mr. Thompson during the last months of the bank's existence.

The CHAIRMAN. Do you remember the year?

Mr. WILLIAMS. Yes; I can come pretty close to it, because I became Comptroller only in 1914. The bank was closed in 1915. That was one of the first national banks that was brought to my attention for its irregular practices—that is, the First National Bank of Uniontown.

I was told by the officials in the comptroller's department that "it is a tough proposition; you will have a hard time dealing with it." I said, "How is that?" They said, "You can not get Thompson to come down here. He will not even come down here. He pays no attention to letters." I said, "If he is violating the law, as he appears to be, I will try very hard to get him to come down here." It was with some difficulty that we got Thompson to come down and examined him and discovered these practices that were going on.

Senator GRONNA. Was the emergency currency issued to this bank before you became comptroller?

Mr. WILLIAMS. No, sir. I was comptroller when the emergency currency was issued. As comptroller, under the law, I supervised the issuance of three or four hundred millions of emergency currency which were issued in the autumn of 1914.

The CHAIRMAN. There was not any issued until October, 1914, was there?

Mr. WILLIAMS. August.

The CHAIRMAN. Yes; that is right.

Mr. WILLIAMS. We were hoping that the bank might be saved by checking and stopping the villainous practices which we found had been going on.

Perhaps, gentlemen, you realize that I have no authority to close a bank because of violations of the law on the part of its officers until or unless the bank is insolvent. A bank, as long as it appears to be solvent, may be subject to many loose, irregular, and unlawful practices, and the penalty for many of these derelictions is a suit for the forfeiture of charter. Naturally the comptroller hesitates as long as a bank is solvent to bring suit for the annulment of its charter. So we tried to correct abuses so the bank might be restored to good condition.

Senator GRONNA. You have the right, however, to assess penalties against banks for violations of law?

Mr. WILLIAMS. No, sir. We have the right, Senator, to impose penalties upon banks who decline to furnish to the comptroller's

office the special reports which the law authorizes the comptroller to call for. When the bank declines to send in those reports, the comptroller, under the provisions of the law, has the right to impose certain penalties.

Senator GRONNA. This bank had not refused, as I understand it, to furnish any and all kinds of reports asked for?

Mr. WILLIAMS. No, sir.

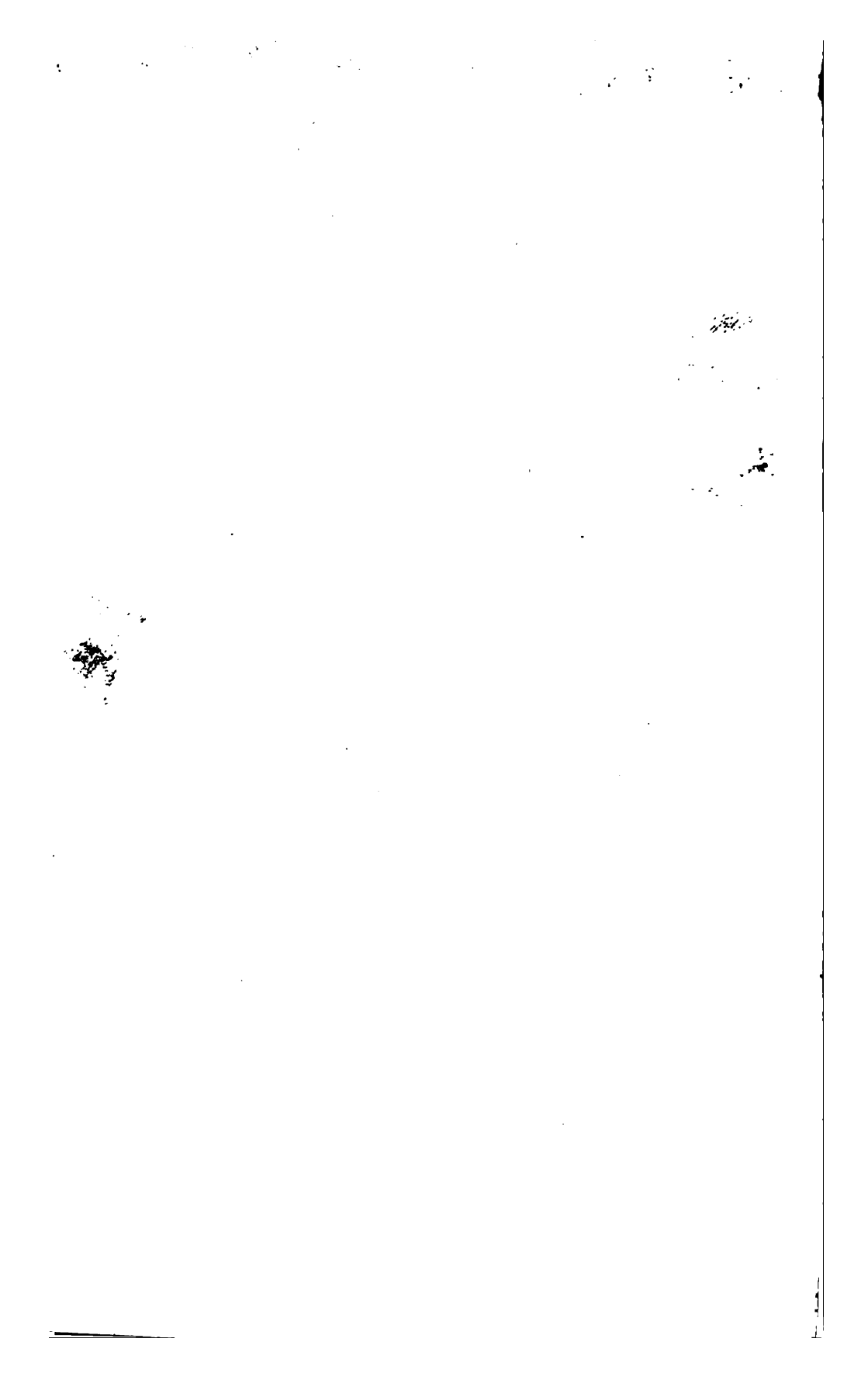
The CHAIRMAN. Is that all?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. The committee adjourns until Monday morning at 10 o'clock.

(Whereupon, at 4.25 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m. on Monday, July 21, 1919.)





NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS.

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 6

Printed for the use of the Committee on Banking and Currency



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1919**

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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

MONDAY, JULY 21, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.15 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Page, Gronna, Newberry, Keyes, and Fletcher.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; and others.

The CHAIRMAN. The committee will be in order. Mr. Williams you may proceed.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I took the liberty of telephoning to your office on Saturday to request that Representative McFadden, who I learned through the afternoon papers had made certain charges and complaints against me and my administration of the comptroller's office before the Rules Committee of the House, should be called, and I supplemented that telephone message with a more formal request by letter. I earnestly hope that he has been summoned, and that he will appear this morning.

The CHAIRMAN. He has been notified, Mr. Comptroller. I think he said he had some other engagement, it seems to me, before a House committee; but I will not be sure about that. In any event he has been notified, as you requested.

Mr. WILLIAMS. Mr. Chairman, with great respect I submit to the committee that it is hardly fair for Representative McFadden, under the shelter of his protection as a Member of the House, to make slanderous and unsupported charges, which he dare not make before a committee of the Senate, which is now ready to receive them and before which he has been requested by yourself to appear. I hope that Representative McFadden will not place himself in the position of a licensed slanderer by refusing to come and by refusing to state before this committee every complaint for which he has any reasonable or just foundation.

The CHAIRMAN. I do not know that there is any foundation whatever for the statement you have just made, Mr. Comptroller. All I can say is that Mr. McFadden was notified and that his reply was that he had an engagement, I think, before some other committee.

27.6

The reply was to my secretary. I will say this, however, that the committee, I think, under the circumstances should hear any statement which you wish to make contradicting the newspaper reports of Mr. McFadden's charges. It seems to me that that is only fair to you. Although he has not testified before the committee, the charges have been generally circulated, and as it has a bearing upon your official conduct I think you ought to have a right to make any statement in reply that you see fit.

MR. WILLIAMS. I thank you for that opportunity. I will take advantage of your permission at once, Mr. Chairman.

THE CHAIRMAN. I wish, if you have the article that was published containing Mr. McFadden's statement, you would put that in as a basis for your reply.

MR. WILLIAMS. Yes, sir. It might be in order, Mr. Chairman, for me, as a preliminary, to read the letter which I wrote to Representative McFadden on July 14, 1919, in this connection. It is not a very lengthy communication.

THE CHAIRMAN. Is it necessary to read it, Mr. Williams? You see it takes so much time to read all this, and there are few Senators here.

MR. WILLIAMS. Perhaps I will save your time by asking that it be incorporated.

THE CHAIRMAN. It will be put in at this point.

(The letter referred to is as follows:)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, July 14, 1919.

HON. L. T. McFADDEN,
House of Representatives.

SIR: On February 15 last, in a public speech in the House of Representatives, part of which was published in various newspapers, you attacked my administration of the office of the Comptroller of the Currency, and expressed your purpose to ask for investigation of it by a committee of the House of Representatives. You added that you had heard rumors to the effect that I had misused opportunities given me by that office for the financial advantage of myself or my friends, and that you would ask an investigation of these also. Later, on February 20, you substantially repeated these assertions and insinuations. On both occasions I challenged, invited, and defied you to urge on the investigation of which you spoke, and declared my readiness and eagerness to meet it. My answer was sent to you and was received by you; parts of it were printed in the Congressional Record and the newspapers, but for reasons which are not creditable to yourself you endeavored to suppress my letter to you of March 1 and prevent its publication in the Congressional Record when the subject was under debate on the floor of the House.

The new session of Congress, controlled by the party to which you belong, has been sitting now since May 19—nearly two months. I have not until to-day seen nor heard of any attempt by you to make good your promise or threat of investigation of the comptroller's office or of my conduct in it. I have seen you present at sittings of the Committee on Banking and Currency of the Senate, considering my reappointment, and hearing the testimony of those opposing my confirmation. You evidently were a deeply interested and probably were a sorely disappointed auditor and spectator of the proceedings there.

On your responsibility as a Representative and an individual you publicly uttered false but serious accusations against the official and personal character of an officer of the Government, holding a place of some importance. The person you assailed has publicly denounced your accusations as viciously false and has defied you to present any evidence which you may have on which you base them and added that you had tried to do injury to character and then skulked from the consequences of your attempt. You were further reminded that if you knew or honestly thought you knew of any reason why I was unfit to hold office, your solemn duty as a citizen and a Representative of the people was to make those facts known and cause inquiry by the proper authorities.

So far as I may judge by your acts you are content to rest from March 1 to July 14, under charges of falsehood and malicious attempt to do injury while avoiding responsibility, and of neglect of your duty, making no attempt to reply to my letter to you of March 1. It included matter which, it seems to me, would require the attention of any man at all heedful of his own reputation or nice in his regard for personal honor.

You did, however, go into court in the interim between the sessions and sought to enjoin me from an investigation of your operations and your management of the bank of which you are president, and especially to prevent me from disclosing to Members of Congress transactions and operations of which you may well be ashamed, and the tendency of which were and are destroying the credit and standing of the bank. You impress me, therefore, as being far more anxious over your job and your pocket than over your character as a man or official.

In the proceedings in court you took occasion to present the same pleas that in one way or another you had put before the House and the public, to the effect that I was trying to injure the bank with which you are connected and to gratify animosity you believed I hold against you. The record shows that I knew nothing of you or your supposed advocacy of the abolition of the comptroller's office and knew nothing of the details of your mismanagement until the chief examiner and the Deputy Comptroller of the Currency, believing that your abuses unless checked would jeopardize and ruin the bank, and finding that your repeated promises of reformation were persistently disregarded, brought the situation to my personal attention and arranged for a conference with you in Washington in the comptroller's office in January last. The record shows that whatever troubles the bank may have had and the criticisms to which it may have been subjected were mainly direct results of your misconduct and mismanagement and your deliberate refusal and failure to comply with the rules of this department and the laws and the principles of sound banking. You have sought to tie my hands and protect yourself against the consequences of your willful acts and the reckless handling of the money of others while using your place in Congress to malign and to endeavor to injure me.

You will not be allowed to execute these benevolent intentions if I can prevent. The results of the legal proceedings and processes of the courts must be awaited. I have eagerly awaited opportunity to be heard in relation to what has been said and done by you before the Congress and the public to which I am responsible. As a preliminary step in that direction I now renew my invitation and challenge to you to urge on the investigation of my personal and official conduct for which you expressed such acute anxiety five months ago. I observe with pleasure that to-day you presented in the House a resolution for such an investigation—the same you offered February 15, with some amplifications, presumably representing the results of your examinations and investigations in the interval. Judging from the reports of proceedings in the present House thus far there is a readiness to take up everything in the way of an investigation of the present administration that may be suggested.

Furthermore, my nomination for reappointment is before the Senate. You have opportunity there to present any evidence you may have to prove my unfitness. Permit me to add at risk of reiteration, that certainly it will be your duty to present to the House or Senate or both every scrap of evidence against me you may be able to find. However you may feel about such things, I have been taught to hold that character for truth and loyalty to duty are above any imaginable job or position of advantage. That character has been wantonly assailed by you. I now call on you to press directly and urgently for the investigation you asked or suggested before the last House, and now, after two months, advertise yourself as desiring, of my official and personal conduct. I am ready for it at any moment before any competent body.

My name is now before the Senate committee above referred to. If you distrust the same committee of the last Senate because the majority of its members were not of your political party, that cause of trepidation or pretext for shunning the issue is removed now. The committee is in session and has my case before it, with full power to command the presence of persons and the production of papers. Again I invite and defy you to go before that body and present to it your accusations against me with whatever you have or can find to support them. This need not obstruct or delay investigation of my administration and myself by the House. I will welcome that also, will be ready for it, I repeat, at any moment, and the more quickly it is ordered and begun the better pleased I will be. Meanwhile, however, the Senate committee is sitting

and ready to hear, as its duty is, any charges against the appointee to an important and responsible office that anybody desires to put before it.

I submit as an unavoidable alternative that failure by you to present your charges and evidence to the Senate committee will prove that you distrust either the committee or your own case. I might submit, further, that if you shirk the show-down to which you are called, you will be in the shameful position of having used your position to attempt to injure another man with widely and carefully spread attacks on his character which you are ashamed or afraid to support, and for confirmation of which you have no evidence you dare offer; but I do not know whether you are interested in that aspect of the case.

As you have assailed me before the Congress and the public, I shall feel at liberty to put this letter to you at the disposal of the newspapers and to endeavor to have it published in the Congressional Record.

I trust you will be able to understand the position in which you will be if you refuse or fail to respond to this call.

JOHN SKELTON WILLIAMS.

[For the press. Immediate release.]

OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, July 19, 1919.

John Skelton Williams, Comptroller of the Currency, commenting on Mr. McFadden's charge that the Comptroller of the Currency had been financially interested in the Arlington Hotel transaction, said:

"I have been urging Mr. McFadden by direct letters to him made as stingy as possible, to push the investigation into my conduct at which he has been hinting since last February. Five days ago I sent him an additional letter of challenge. I have suggested to Mr. McFadden that his most expeditious course, and his duty, is to present any charges he may have before the Senate Committee on Banking and Currency which now has before it my renomination. I am scheduled to appear before that committee Monday, but will cheerfully give place to Mr. McFadden and all the papers and other evidence he may have; and upon learning of his charges this afternoon I immediately requested the chairman of the Banking and Currency Committee of the Senate to summon Mr. McFadden to come before the committee on Monday.

"Meanwhile it is fair that I be allowed to inform the public that I had not the slightest financial interest in the Arlington Hotel transaction, directly or indirectly. Secretary McAdoo, in March, 1918, wrote Representative Pou, of North Carolina, on this matter, giving him the facts. The law firm of Williams & Mullen, of Richmond, Va., of which my brother-in-law, Lewis C. Williams, is a member, has been counsel for Winston & Co., for the past five years or more. They are large contractors, who controlled the Arlington property. I do not know what legal fees or compensation Williams & Mullen may have received for their services in the Arlington Hotel transfer. Whatever they may have charged was for their professional services, in which I had no participation whatsoever. That is all the foundation I can imagine for Mr. McFadden's insinuations, which I denounce again as absolutely false and which have all the appearance of being dictated by intense malice.

"If he thinks he knows anything against me let him come before the Senate committee Monday—day after to-morrow.

"Those who have given attention to this matter will recall that a Pennsylvania bank of which Mr. McFadden is president, has come under my official notice in an unpleasant way and that I have expressed, both officially and publicly, the opinion that Mr. McFadden is responsible for whatever unfortunate conditions might there exist."

Mr. WILLIAMS. I also ask permission to place in the record my press statement of Saturday afternoon, given out immediately upon reading the newspaper story. It is a one-page statement.

The CHAIRMAN. Have you the newspaper story?

Mr. WILLIAMS. I haven't it with me. Upon reading the newspaper article I at once telephoned to Mr. Lewis C. Williams, of the firm of Williams & Mullen, of Richmond, Va., one of my brothers-in-

law, and told him of the slanderous statement which had appeared in the afternoon paper. He immediately wrote me this letter, which I received in reply to my communication:

WILLIAMS & MULLEN,
ATTORNEYS AND COUNSELLORS AT LAW,
Mutual Building, Richmond, Va., July 19, 1919.

Hon. JOHN SKELTON WILLIAMS,
1712 Eighth Street NW., Washington, D. C.

DEAR MR. WILLIAMS: I hand to you herewith a memorandum of services by my firm for Arlington Corporation and Arlington Building.

I also hand to you a copy of the several interrogatories and answers filed by Eichelberger in the suit in the District of Columbia in the name of Eichelberger v. Sands et al.

The Associated Press carried a charge of McFadden to-day that you have participated in the sale of the Arlington Building (Inc.), which I, of course, am stating to be absolutely untrue.

Affectionately,

LEWIS.

The interrogatories filed in the lawsuit to which he refers, I understand, were filed in the Supreme Court of this District some six months or a year ago, and this is an excerpt from the interrogatories:

In the Supreme Court of the District of Columbia. Holding an equity court. Harry D. Eichelberger, plaintiff, v. Oliver J. Sands et al., defendants. Equity No. 35483.

Answer of Arlington Building (Inc.) to the interrogatories filed by the plaintiff herein:

11. Q. Have any attorney's fees been paid; and if so, how much and to whom, for services in connection with the sale to the United States of the property described in the bill?

A. Yes; there has been paid on account of legal services to cover period from organization of company, including services for organization, negotiating, and passing on contracts with the Navy Department, with the Metropolitan Life Insurance Co., sundry bankers and brokers, and preparation of mortgages and bond issues and legal representation in negotiations leading to sale of property and preparation of contracts and services in Washington, New York, and Baltimore in numerous conferences with the officers, architects, contractors, and brokers and their attorneys, including expenses, \$25,500.

12. Q. Is there an agreement for future payments to attorneys on account of services in connection with the sale to the United States of the property described in the bill; and if so, for how much and with whom?

A. None.

13. Q. Have any fees, charges, or commissions, other than attorney's fees, been agreed to be paid to any person in connection with the negotiation of the sale to the United States of the property described in the bill; and if so, how much and to whom?

A. None.

The CHAIRMAN. That money was paid out of the proceeds of the sale of the Arlington site?

Mr. WILLIAMS. By the former owners of the Arlington site to their attorneys.

The CHAIRMAN. Was the Arlington property in the hands of a receiver?

Mr. WILLIAMS. I do not know. I understand not. I do not know.

The CHAIRMAN. You do not know how your brother-in-law came to be employed?

Mr. WILLIAMS. I think this letter explains that:

Memorandum of services of Williams & Mullen, as attorneys for Arlington Corporation and Arlington Building (Inc.), owners of the property in Washington known as Arlington Hotel, now owned by the United States Government.

"This property was purchased by Winston & Co. in February, 1914, at public auction, and Williams & Mullen were employed as attorneys to organize the Arlington Corporation, superintend the transfer of the property and the preparation of contracts and mortgages up to the time of the transfer of the property of the Arlington Corporation to Arlington Building (Inc.), and the dissolution of the corporation. The firm also prepared the minutes and the deed conveying the Arlington Building (Inc.) and attended to the liquidation of the company's assets.

This goes back some five years or more.

The CHAIRMAN. What are you reading from now?

Mr. WILLIAMS. A memorandum furnished me by Williams & Mullen, the memorandum referred to in the letter which I first read.

In August, 1917, this firm organized the Arlington Building (Inc.), with \$1,000,000 capital, for the purpose of taking over the lot of the Arlington Corporation and erecting a building thereon for the Navy Department of the United States and looked after the negotiation of contracts and proposals between the Navy Department and the corporation and contracts with the Metropolitan Insurance Co. of New York for a loan, the preparation and execution of a deed of trust or mortgage to secure \$1,400,000 borrowed from the Metropolitan Insurance Co., conferred with attorneys and others in New York and Washington representing the insurance company; prepared a second deed of trust or mortgage to secure a bond issue of \$600,000; held conferences in Washington and New York; took entire charge of the suit of R. H. McNeill against the corporation for \$380,000 and looked after the defense of same; conferred and assisted in the preparation of the proposals to the Treasury for the sale of the property on behalf of the company; attended to the consideration and preparation of contracts for the sale of the company's property; holding meetings, prepared, and passed upon all deeds; satisfaction of mortgages; and looked after injunction suit of Elchelberger restraining transfer of property; contracts with architects and builders and claims connected therewith; in short, performed all legal services required by the Arlington Corporation and Arlington Building (Inc.), from the purchase of the property to its sale and continuously since, without assistance, except that of the Hon. Charles A. Douglas in the suit of Elchelberger pending in the Supreme Court of the District of Columbia. The record of these services fills many pages.

The above was only one of many matters in which we, as counsel for Winston & Co., have represented them prior to and since 1914.

Williams & Mullen were paid for these services \$25,500, as shown by the answers to the interrogatories, and since the answers were filed have been paid \$1,000 for other services in connection with the litigation in Washington.

Senator NEWBERRY. In the earlier part of that document he speaks of a contract with the Navy Department and later he speaks of services to the Treasury Department.

Mr. WILLIAMS. I know nothing about those details. I saw in the Congressional Record several years ago a letter from Secretary Daniels recommending that the Navy Department be authorized to enter into some long-term lease of that building, as I recall it. I was not en rapport with the situation and knew nothing about it except from hearsay and what I would see in the papers or the Congressional Record.

The CHAIRMAN. Where are Winston & Co. located and what do they do?

Mr. WILLIAMS. Winston & Co. is a large contracting firm. They have probably been in business for 30 or 40 years. They built, I think, among other things, the Ashokan Dam in New York.

The CHAIRMAN. Where is their headquarters?

Mr. WILLIAMS. I think Richmond and New York.

The CHAIRMAN. And they have no headquarters in Washington that you know of?

Mr. WILLIAMS. I understand that they have offices here. I do not know where their offices are located in connection with the Arlington Building. Or, rather, they had at one time. I do not know whether they still have offices.

The CHAIRMAN. Where is the headquarters of this firm in which your brother-in-law is a member?

Mr. WILLIAMS. In Richmond, Va.

The CHAIRMAN. They have no Washington headquarters?

Mr. WILLIAMS. No.

The CHAIRMAN. You think the building concern has headquarters here?

Mr. WILLIAMS. I think they have offices. Necessarily they would have offices here, undertaking to construct a building at a cost of several million dollars. Necessarily, I should say, they would have offices of some sort.

The CHAIRMAN. Yes; they would have temporary offices.

Mr. WILLIAMS. I assume so. But as to that I know nothing. Nor do I know who the resident managers are.

(Senator Gronna thereupon made a statement regarding the desirability of the appearance of Representative McFadden to make a statement, which the reporter was directed not to record, and after colloquy the following occurred:)

Senator GRONNA. I am not passing judgment either on you or on Mr. McFadden at this time. I am simply stating my position. But any citizen, and especially a public official, ought not to make statements that he is not at least willing to prove.

Mr. WILLIAMS. Unquestionably. It is a cowardly thing to do.

Senator GRONNA. I look upon it like this: If you, as Comptroller of the Currency, are guilty of the charges made by Mr. McFadden, you are, of course, unfit to hold your position. On the other hand, if you are not guilty, it is a gross injustice to you, and those facts should be made known to the public.

Mr. WILLIAMS. And promptly. Senators, that is exactly the position I have taken, and also in this connection, if I may be permitted for a moment, I desire to call attention to the injustice which is done me when irresponsible men, without any evidence whatsoever to support their charges, are permitted to come here in the guise of witnesses and make statements which they know are false, and which in every case I have shown to be without the slightest justification. I realize the embarrassment of the committee. I am sure that the committee would not listen for a second to such slanderous charges unless they were led to suppose that they could later on, or at some time, be supported.

The CHAIRMAN. What other witnesses do you refer to now, Mr. Williams?

Mr. WILLIAMS. I refer especially to the witness Cooper; and I shall also bring evidence to disprove the statements of other witnesses heretofore. But I have dealt at some length with the falsifications and misstatements deliberately made by the witness Cooper, and have presented the written evidence which has completely controverted them as they have been brought to my attention.

The CHAIRMAN. You may have made some mistakes, and he may have made some mistakes.

Mr. WILLIAMS. I have made no statement here, Senator, deliberately, which I did not believe, and which I am not prepared to corroborate.

The CHAIRMAN. It is possible you may have made some mistakes, and it is possible he may have made some.

Mr. WILLIAMS. I have shown that he made statements which he knew at the time he made them were false.

The CHAIRMAN. What did this property sell for?

Mr. WILLIAMS. In answer to that, Senator, please allow me to read, or to put into the testimony, these two letters from the Congressional Record of May 18, 1918. One is addressed to Senator Phelan, pages 7258 and 7259:

TREASURY DEPARTMENT,
Washington, May 18, 1918.

MY DEAR SENATOR: I have your letter of the 2d instant regarding the Arlington property, and am glad to write you fully on the subject.

It is impossible to describe the difficulties under which the Treasury is now laboring in its effort not only to raise essential money through the sale of liberty bonds, but to find room for the employees to work in order to turn these bonds out promptly and deliver them to purchasers throughout the country. The corridors of the Treasury Building, where light and ventilation are poor, must be used from time to time for this service. It is an injustice to the employees and a reproach to the Government.

The CHAIRMAN. I do not understand that there is any dispute as to the need of additional accommodations at that time.

Senator KEYES. Is this in answer to the chairman's question as to what this building sold for?

Mr. WILLIAMS. Yes, sir. We are coming to the detailed figures.

Senator KEYES. Can you not give us those figures?

The CHAIRMAN. Could you not read the parts that have a bearing?

Mr. WILLIAMS. I should like to have the whole letter go into the record.

The CHAIRMAN. It is already in the Congressional Record.

Mr. WILLIAMS. It is with reference to charges against me, Mr. Chairman.

Senator FLETCHER. I think it ought to go in.

The CHAIRMAN. Put the whole letter in, then.

(Mr. Williams read further from the letter referred to, as follows:)

The fact is that without the prospect of having the Arlington Building soon the situation would be exceedingly critical. * * *

Tabulated, the figures stand as follows:

Main building-----	\$2, 192, 097
Changes-----	118, 751
Addition to building-----	811, 502
Site-----	1, 000, 000
Total-----	4, 122, 350

This corresponds very closely with the proposal, which is for \$4,119,072. This gives a rate per cubic foot of slightly over 40 cents. That this is a reasonable rate is shown by the contract recently let for the Treasury Annex.

The bids for that building in limestone ranged from \$1,145,603 to \$1,397,565. After making some changes, the contract for the building, exclusive of tunnel, was let for \$1,079,952. Certain additional items will bring the cost up to approximately \$1,140,000.

Senator GRONNA. That was the real estate?

Mr. WILLIAMS. Yes, sir.

On January 29, 1914, the site was sold under forced sale for \$850,000.

After obtaining these valuations, the department felt justified in allowing \$1,000,000 as the value of the site.

The CHAIRMAN. And the superstructure up to that date cost \$3,100,000, in round numbers?

Mr. WILLIAMS. No. I am not familiar with this matter; but as I understand it, the superstructure of the main building when finished was to cost so much, three million and so many hundred thousand, and then, as I understand it, the annex was to cost an additional amount, eight or nine hundred thousand.

The CHAIRMAN. Do you know what the total cost to the Government was of this building, completed?

Mr. WILLIAMS. I only know what I read you here, that the appropriation asked for was \$4,200,000. The estimated cost was \$4,122,350, of which the site was \$1,000,000, the main building was \$2,192,097, the changes \$118,751, and the addition \$811,502.

Senator FLETCHER. That included the completed building. They had only finished the four stories below, and partly finished two stories above, and had material on the ground for certain other portions. The total cost of the whole business, including the annex, was \$4,122,350, one million for the ground.

The CHAIRMAN. That was the estimate.

Senator GRONNA. As I understand it, the ground just north of the Treasury was ground which had been owned by the Government for some time.

Mr. WILLIAMS. I do not even know that, Senator.

Senator FLETCHER. That has nothing to do with it.

Senator GRONNA. It does have something to do with it, because the question is, has the Government paid too much, or has the Government paid more than it ought to have paid for the ground? As I understand it—and if I am mistaken, I hope you will correct me, Mr. Williams—the Government has the right to condemn property for public use. Perhaps we have paid more for that Arlington property than we ought to have paid. That may not be the fault of the Comptroller of the Currency. He may have nothing whatever to do with that. It is, of course, unfortunate if we have paid entirely too much. But what concerns me, and what I am interested in as a juror here, is simply whether commissions have been paid in these transactions, large commissions or small commissions, to anyone, and what connection that has with the Comptroller of the Currency. That is the only thing I am interested in.

Mr. WILLIAMS. As to the price paid, in this letter to Senator Phelan Secretary McAdoo points out that this particular site, as I understand it, had been sold in 1912 for \$1,400,000. Three or four or five years later, whichever it was, the Government acquires that same site, as I understand it, for \$1,000,000, or \$400,000 less than it sold for in 1912. There had been a considerable amount of work done in the foundation—I do not know anything about that. I do not know what that cost, or whether that went with the value of the price. I am not informed.

Senator GRONNA. You might not be justified in approving, in a Government purchase, what had transpired?

Mr. WILLIAMS. It is not in my jurisdiction in any way whatsoever.

Senator GRONNA. The question I want to ask you is this, How was this property acquired by the Government—through purchase from corporations or individuals, or by condemnation?

Mr. WILLIAMS. As to that, Senator, I understand from the communications which I have read this morning that there were two or three corporations which at different times owned or controlled that site. But that the firm of Winston & Co., the large contracting firm to which I have referred, owned or controlled those successive corporations, as I understand it, whatever they were. In other words, they were substantially the owners of the Arlington site, they and their associates, whoever they were. I do not know whether it was a firm entirely, or whom they may have had in there with them.

Senator GRONNA. Was the site then purchased from these people?

Mr. WILLIAMS. And the site was purchased from Winston & Co., the contractors who conveyed the title through these corporations which belonged to them, known, it seems to me, in one case as the Arlington Building or the Arlington Corporation. I do not know what those ramifications were, but the outstanding fact is that Winston & Co., contractors, owned or controlled that site, and they were proceeding, as the record appears to show, to erect a large building upon it. As I understand it, their plans, as shown from the record, seem to have been first to erect a large office building or a hotel. As to whether it was an office building or hotel I do not know, but one or the other. But while those plans were in progress it appears that negotiations were opened with the Navy Department. As to whether the Navy Department went after Winston & Co., or whether Winston & Co. went after the Navy Department, I do not know. I am entirely ignorant as to how they were brought about. But, anyhow, the records show that Winston & Co. had negotiations with the Navy Department by which the building to be erected by Winston & Co. was to be so modified or changed as to make it suitable for officers for the Navy Department.

And it appears that there was a bill in Congress, as to the details of which I am also uninformed, by which, if I remember correctly, the Navy was to be authorized to make a long lease of that building from Winston & Co. when it should have been finished. The record shows, if I recall correctly, that the Secretary of the Navy addressed a communication to the committee, either of the Senate or the House, which had the matter in charge, recommending that they be permitted to meet the pressure upon them by getting the benefit of that building.

The CHAIRMAN. Winston & Co. is a Richmond firm?

Mr. WILLIAMS. Richmond and New York.

The CHAIRMAN. Have you had any correspondence with them in regard to this matter?

Mr. WILLIAMS. Not that I know of.

The CHAIRMAN. Any correspondence with the attorneys, your brother-in-law and his firm, in regard to this matter?

Mr. WILLIAMS. No. I had nothing to do with it. The negotiations were entirely between the Treasury Department and Winston & Co.

The CHAIRMAN. I understand, but I asked you whether you had any correspondence with this concern, or with the attorneys who acted as counsel for this concern, of which your brother-in-law is a member?

Mr. WILLIAMS. I recall none whatever.

The CHAIRMAN. No communications?

Mr. WILLIAMS. It was not a matter in which I was concerned.

The CHAIRMAN. That you have said. You had no conversations with your brother-in-law?

Mr. WILLIAMS. May I come around to this matter further, Senator, in an orderly way? I shall tell you of what conversation I did have on the subject.

The CHAIRMAN. Yes.

Mr. WILLIAMS. The bill by which the Navy Department had hoped to have these offices available, appears to have failed. I understand that was probably some time in 1917. Knowing the tremendous pressure under which the Treasury Department was laboring for space, I mentioned to Secretary McAdoo that possibly that Arlington site might be available in some way to relieve the congestion of the Treasury. As a result of that Winston & Co., or the representative of that firm, with one of their attorneys, called on Secretary McAdoo. I think that I probably introduced them, or Winston, to the Secretary. The Secretary referred the matter to the building department of the Treasury, to Secretary Moyle, and I had nothing whatever to do with it. I had nothing further to do with the subject, nothing beyond an introduction of some member of the firm of Winston & Co., and I think my brother-in-law was with him at the time, in the hope that some arrangement might be made—no definite details—by which the pressure on the Treasury might be relieved by utilizing that building, which the Navy Department had been trying to get, but had been unable to secure.

The CHAIRMAN. You introduced a member of the firm of Winston & Company to the Secretary of the Treasury?

Mr. WILLIAMS. I did. I think that was in the latter part of 1917. I had no further interest of any sort at all.

The CHAIRMAN. You must have had some correspondence or communication with Winston & Co.

Mr. WILLIAMS. I did not, as I recall. Mr. Winston came to my office, knowing me—I have known him for 15 years or more—and referred to the fact that they had that large building there, and that it might be available for the Government in some way, and I did as I would do for any one, I said, "I shall be very glad to bring the matter, if you desire, to the attention of the Secretary of the Treasury," which I did and that ended the matter.

Senator GRONNA. Did you recommend the purchase of it?

Mr. WILLIAMS. I did not.

Senator GRONNA. You did not at that time know the price asked for it, nor had you ascertained the value of it?

Mr. WILLIAMS. I think that they were indefinite as to their price. They had control of the whole situation, and I do not know whether their own views were crystalized. The subject was a matter of negotiation, as I recall it.

The CHAIRMAN. When the member of the building firm came to your office, was your brother-in-law with him?

Mr. WILLIAMS. I think they called together. This was in the latter part of 1917, I think. But I did what I would do for any acquaintance who desired on an official matter to see the Secretary.

The CHAIRMAN. After that interview, you suggested to the Secretary of the Treasury that there was a building that might be serviceable?

Mr. WILLIAMS. At that interview I told the Secretary that was a situation that might be of interest to the Government.

Senator GRONNA. Is it reasonable to suppose that your brother, or your brother-in-law, had carried on negotiations with these people before they came to your office?

Mr. WILLIAMS. He had been counsel for them since 1914. As this record which was read this morning, but which you have not seen, shows, they have been the counsel in the whole matter.

The CHAIRMAN. Do you know whether the building was completed by Winston & Co. after the Government bought it?

Mr. WILLIAMS. I do not know. I have never seen the contract between the Government and Winston & Co. and know nothing of its details, but my impression is that the corporation or firm of Winston & Co., who controlled the building, entered into some contract with the Government for its continued erection. It was partly under way. That was simply information which I would have as a citizen. As I say, I have never seen the contract, and know nothing of its provisions.

The CHAIRMAN. You do not know how much Winston & Co. made?

Mr. WILLIAMS. I do not know whether they made anything or whether they lost, and had no interest in their profits or their losses.

The CHAIRMAN. You know nothing about their estimates amounting to more than \$3,000,000?

Mr. WILLIAMS. Nothing whatever.

The CHAIRMAN. After the building, as I understand you, was 80 per cent completed—

Senator FLETCHER (interrupting). Oh, no.

The CHAIRMAN. I understand, Senator, that the part of the building that was completed was included in this price of \$3,000,000. But my point is that after the contract was made, how much more was required from the Government?

Mr. WILLIAMS. I have not the slightest idea; not the remotest.

The CHAIRMAN. What estimate was made on the portion of the building that was already completed?

Mr. WILLIAMS. I do not know anything more than what you see in the letter of Secretary McAdoo to Senator Phelan.

The CHAIRMAN. Very well.

Senator FLETCHER. You mean to say you had no interest in the matter whatever?

Mr. WILLIAMS. Nothing at the time, and never expected to have, and would not under any circumstances have had; and when Winston & Co., accompanied, I think, by their counsel, my brother-in-law, called at my office—which I think was in the latter part of 1917—and suggested the matter, I had a talk with them, as I would with any person coming with a proposition which they might desire to submit to the Secretary of the Treasury, with a view to ascertaining

what the situation was and what their proposition was. I would not undertake to bring a matter before the Secretary of the Treasury unless it presented prima facie evidence of being worthy of his attention, and they discussed at the time the cost of the building, the possibilities of it, and may have presented some memoranda in regard to that.

As to the details of it, I do not recall. But they did satisfy me that the situation was a meritorious one in view of the great pressure which there was for office space at that time. My own office, the Comptroller's Office, has lived under very great and serious disadvantages the past several years because of lack of space. In some of our divisions there our operatives are working with less cubic feet than are required by the health regulations, and I have been trying, as the records show, for several years to get more and more space to accommodate my office.

The CHAIRMAN. Did you not get additional space?

Mr. WILLIAMS. We did not get what we need.

The CHAIRMAN. That does not answer my question. I asked you if you had not gotten additional space.

Mr. WILLIAMS. We got some from time to time.

The CHAIRMAN. Did you get any space in this building?

Mr. WILLIAMS. No; never.

The CHAIRMAN. Proceed.

Mr. WILLIAMS. As I say, I did no more than I would do with any responsible individual who had a business matter which prima facie might be of interest to the Government, in introducing them to Secretary McAdoo. I think Secretary McAdoo, as a matter of fact, knew my brother already, but he did not know Winston & Co.

In regard to Winston & Co., I may say that they have done business in a large way for a great many years. Corporations, I think, with which I have been connected at different times, have given them contracts. I think I recall that 15 or 20 years ago, probably 20 years ago, the firm with which I was formerly connected in Richmond gave that firm the contract for the hydraulic development of the James River at Richmond, and I had reason to believe that they were a reputable firm that would deal in good faith, and would carry out in good faith whatever contracts they were likely to enter into.

Senator GRONNA. As I understand it, Mr. Williams, this transaction was closed and completed by the Treasury officials.

Mr. WILLIAMS. Unquestionably, and I had nothing whatever to do with it.

Senator GRONNA. And you had nothing to do with it?

Mr. WILLIAMS. Nothing whatever, beyond bringing it to the attention of the Secretary of the Treasury.

Senator GRONNA. I can realize to some extent the difficulties that these officials have, the same as we have as Members of Congress, in being able to use the public money in the way that it ought to be used. We vote for appropriations sometimes that perhaps we would not vote for if it was our own money—and while we are subject to criticism for that, as long as we do not profit from it, as long as no Member of Congress receives any profit from it, we can not be condemned as being guilty of any violation of law. We may not use the best of judgment. It seems to me, though, that in a transaction as large as this one we ought to have some explanation from the parties who were really parties to the whole transaction.

Mr. WILLIAMS. Why not get the Supervising Architect of the Treasury to explain it?

Senator GRONNA. I did not know which party really was responsible for this purchase. Of course, I assume that the Secretary of the Treasury is really the official responsible for it.

Mr. WILLIAMS. Yes.

Senator GRONNA. I can see no reason why we should charge the Comptroller of the Currency with even any irregularity in the purchase of this property, although the price may be too high.

Mr. WILLIAMS. Nor should you credit him with it if the price were too low.

Senator GRONNA. No. But as long as these charges have been made, I think for your own protection, Mr. Williams, and for the protection of the good name of all law-abiding citizens, and especially for the purpose of giving the committee the benefit, we ought to have a full explanation from the Treasury Department, from those who really closed this deal.

Mr. WILLIAMS. I have not the slightest doubt but they would be cheerful to give it to you.

Senator GRONNA. We ought to know whether there was any commission paid—that is, of course, immaterial so far as you are concerned—to these people, and what.

Mr. WILLIAMS. No commission was paid, as I understand it, to anyone, Senator.

Senator GRONNA. I take it that Winston & Co. would not go into this big deal without making something out of it.

Mr. WILLIAMS. I do not understand that they paid any commission to anyone. There was a bill for legal services rendered, the character of which legal services has been read to this committee this morning.

Senator GRONNA. That is exactly the information I would like to have. The information I would like to have is what commission was made out of this, and what was paid for legal services in the whole transaction. We, of course, can figure out what it ultimately will cost the Government of the United States. The Government has to foot the bills. There is no question about that. If the attorneys who acted as attorneys in this transaction, and acted in the purchase in a legitimate way, received no commission—

Mr. WILLIAMS. I do not understand they received any commission. They received a fee for their legal services rendered, which are detailed in that memorandum there.

Senator GRONNA. Perhaps I should have said fee.

Mr. WILLIAMS. For professional services.

Senator GRONNA. For professional services.

Mr. WILLIAMS. Yes.

Senator GRONNA. But, anyway, I think the committee ought to have that information, and as one member of this committee, I would like to have the whole transaction. I would like to have a statement of it.

Mr. WILLIAMS. Yes, sir.

Senator FLETCHER. Mr. Chairman, in that connection let me say that the comptroller has put in the record here the statement of the transaction from the Secretary of the Treasury. That is all in the record. I do not understand we are concerned with inquiring

into that Arlington transaction. I am perfectly willing to go into it, but I suggest that if we want to go into it, let us take a day off, after we get to a vacation, and spend our vacation in inquiring about that sort of thing.

The CHAIRMAN. No. Mr. Williams is replying to this published statement that he did get a commission.

Senator FLETCHER. That is perfectly proper. But why go into the whole calculation as to the Arlington site?

Senator GRONNA. May I be permitted to speak for myself as a member of this committee—

Senator FLETCHER. Allow me to say, Senator, I have no objection to doing that, but I do not think we ought now to stop and go into that. The point I make is that we are here to answer a specific charge with reference to the comptroller. Why not let us confine ourselves to that for the present? If we want to take up the other matter later, all well and good. But for the present let us keep to the point at issue.

The CHAIRMAN. You will have to give me credit for trying to keep to the point.

Senator FLETCHER. I am simply saying, with reference to Senator Gronna's desire to go into the whole matter, let us postpone that for the present, and let us confine ourselves to this one thing.

Senator GRONNA. If the committee thinks it is unimportant I shall find some other way to satisfy myself with reference to that. I think that it has some bearing upon this case. I think that not only this committee, but every citizen of this country, is entitled to know how we transact business. They are entitled to know how Members of Congress transact business. They are entitled to know how these public officials transact it.

Senator FLETCHER. On an inquiry as to the qualifications of the Comptroller of the Currency?

Senator GRONNA. The public pays these bills. We realize that. While we are sitting here appropriating money by the millions and by the billions, assuming that we are paying it, so far as I am concerned, I am paying only a very small portion of it. The people throughout the country are paying for it.

Senator FLETCHER. What has that to do with the Comptroller of the Currency?

Senator GRONNA. It has a lot to do with it, because they are responsible to the people of this country, the same as a Member of Congress is responsible. If we appropriate money lavishly and foolishly, the public is certainly interested. The public officials of this Government spend more money than is necessary in building institutions, and to carry on this Government, and not only this committee but the public is entitled to know it. This idea that simply because a man has been elected to an official position, or been appointed to a position, he is a sort of a ruling power, does not go very far with me, and so far as I am personally concerned I think that it has a lot to do with it, and it has a bearing upon this case.

It has been spread all over this country that public officials, men holding the highest positions as officials in this great Government, are guilty of gross misconduct. It is due these public officials that the facts should be known, not only to this committee, but to the

people of the entire country. I regard it as a most unfortunate thing, especially at this time, to have the people of this country feel that their servants, so to speak, are guilty of gross misconduct. I shall not insist on it, Senator, but I believe you are mistaken in your conclusions that this has no bearing on this case.

Senator FLETCHER. I am not disposed to question anything the Senator has said. There is no use indulging in a stump speech or lecture.

Senator GRONNA. It is seldom that I make a stump speech, as they are generally made by the Members who associate with me, but I am coming to that age where I believe from now on I shall take the liberty, when the spirit moves me, of making a speech.

Senator FLETCHER. I do not object to the Senator doing that. His speeches are always very interesting. The point I make is that if the comptroller had nothing to do with this transaction, what bearing has it any more on him as an official than it has on the Secretary of War?

Senator GRONNA. I am a layman, Senator Fletcher. You are a good lawyer, I know you are, and I am only a layman. Certainly you do not want to take advantage of me and say this is the way you try a lawsuit?

Senator FLETCHER. Oh, no.

Senator GRONNA. Of course not.

The CHAIRMAN. I think the question of whether the commissions were in fact paid or not is proper, and I assume, from what the comptroller says, that the matter was, in the first instance, certainly in charge of the Secretary of the Treasury.

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. And that he would be able to furnish the committee with a statement as to what the building cost.

Mr. WILLIAMS. Yes, sir. I suggested while you were out that the Supervising Architect might give you the details.

The CHAIRMAN. Will you see that we get a statement of the final cost of this building?

Mr. WILLIAMS. I shall request it from the Secretary of the Treasury.

Senator GRONNA. I have been saying this for Mr. Williams's sake as much as for my own.

Mr. WILLIAMS. Of course, I want you to understand I ask the closest scrutiny. I do not want any matter left in a state of doubt. I want every point cleared up.

The CHAIRMAN. With that understanding you may proceed, Mr. Williams.

Senator NEWBERRY. May I ask just one question?

The CHAIRMAN. Certainly.

Senator NEWBERRY. As I understand, no money was ever specifically appropriated for this property or for the building, was it?

The CHAIRMAN. I think so.

Senator NEWBERRY. Or was it all paid out of the emergency fund? I just want to know that.

Mr. WILLIAMS. There is very little more of Secretary McAdoo's letter to Senator Phelan, if I may finish that.

(Mr. Williams thereupon concluded reading the letter referred to.)

Mr. WILLIAMS. Now, Senator Newberry, here is a statement in a letter dated March 22, 1918, from Secretary McAdoo to the President,

in regard to acquiring that site. I will ask that it be put in but not read, unless you desire it read.

The CHAIRMAN. If it is material.

Mr. WILLIAMS. It answers the question Senator Newberry asked.

The CHAIRMAN. Have you read it?

Mr. WILLIAMS. It is here. I have not read it yet.

The CHAIRMAN. You have never read it?

Mr. WILLIAMS. I do not know whether I have read it carefully. I know what it is.

The CHAIRMAN. Can you answer his question as to whether this money was appropriated specifically or whether it was taken out of the emergency fund?

Mr. WILLIAMS. This is a request, as I understand it, from Secretary McAdoo to the President that he acquire, out of the \$1,000,000 fund, this building.

The CHAIRMAN. That answers the question. There is no use cumbering the record with that long letter.

Mr. WILLIAMS. I merely call attention to it as explaining the reasons why Secretary McAdoo requested the President to acquire the property.

The CHAIRMAN. Let it go in, then, without reading, if you want it.

Mr. WILLIAMS. Here is a letter from the House of Representatives' Committee on Rules, as follows:

HOUSE OF REPRESENTATIVES, UNITED STATES,
COMMITTEE ON RULES,
Washington, D. C., March 4, 1918.

Hon. WILLIAM G. McADOO,

Secretary of the Treasury, Washington, D. C.

DEAR MR. McADOO: The intimation is being made that a certain official of the Treasury Department is financially interested in the sale of the Arlington property to the Government. The intimation is not made publicly, and is quite indefinite in form, nevertheless the insinuation is being thrown out among Members of the House that some official of the Treasury will probably receive financial benefit if the proposed sale to the Government is consummated.

I thought I ought to call your attention to this matter. Of course, I know that, so far as you are concerned, only the best interests of the Government prompts your action. And, because I feel that the proposal covers no job, is absolutely clean in every way, I do not hesitate to bring the matter to your attention.

Cordially, your friend,

Edw. W. Pou.

To which Secretary McAdoo wrote this letter, which, when this matter came up, I obtained from the Treasury files:

MARCH 4, 1918.

DEAR MR. Pou: I am just in receipt of your letter of the 4th instant, and thank you for it. I am amazed to learn from your letter that "the intimation is being made that a certain official of the Treasury Department is financially interested in the sale of the Arlington property to the Government." It is needless for me to say that this is absolutely false. I should be very glad, indeed, if you could learn and give me the name of anybody connected with the Treasury Department concerning whom any such intimations are being made.

I learn, upon inquiry, that the law firm of Williams & Mullen, of Richmond, Va., have for years been the counsel for Winston & Co., general contractors, which firm of contractors and their associates are the owners of the stock of the Arlington Co., which owns the site and is erecting the so-called Arlington Building.

The Mr. Williams, of the law firm of Williams & Mullen, is a brother-in-law of Mr. Williams, the Comptroller of the Treasury, but I am told that he is not and has never had any financial interest in the firm of his clients, Winston

& Co., nor any financial interest whatever in the Arlington Co., or any other company connected directly or indirectly therewith.

It is needless for me to say to you that the Comptroller of the Currency, Mr. John Skelton Williams, has no interest whatever, nor ever has had, in the Arlington Co., nor with any individual or firm connected therewith in any manner, shape, or form. I am advised that no member of the Williams family has any interest whatever in the Arlington property.

The thing resolves itself merely into a question of getting sufficient space to house the activities of the Treasury Department, activities of such vital importance to the country that provision must be made for them without delay. I know of no way that the essential office space can be had so quickly and, to my mind, so advantageously as by the purchase of the Arlington Building. If any other way can be devised by the Congress to meet the needs of the Treasury Department as quickly and as satisfactorily, or as quickly if not as satisfactorily, I shall be most happy to have it done.

Faithfully, yours,

W. G. McAdoo.

Hon. EDWARD W. POU,
House of Representatives.

(The letters in the Congressional Record of May 18, 1918, are as follows:)

TREASURY DEPARTMENT,
Washington, May 13, 1918.

MY DEAR SENATOR: I have your letter of the 2d instant regarding the Arlington property and am glad to write you fully on the subject.

The work of the Treasury Department has assumed such proportions that the question of suitable quarters to accommodate the largely increased force required in the transaction of the public business and to care for the valuable records of the department has become a serious problem.

Two bureaus of the department alone—the War Risk Insurance and Internal Revenue—require 500,000 square feet and have been forced, owing to lack of suitable buildings, into quarters in a large number of rented buildings scattered all over the city, which has greatly interfered with the efficiency of the bureaus. At present the War Risk Insurance Bureau is being administered in 11 different buildings in Washington, and the Internal Revenue Bureau in 10 different buildings. This is deplorable from the administrative standpoint, but even a more serious feature is the fact that the invaluable and irreplaceable records of these two bureaus are now stored in nonfireproof buildings and might be destroyed, to say nothing of the possibility of loss of human life because of the overcrowded conditions under which the employees are forced to work.

The War Risk Insurance Bureau is charged with the very important war duty of collecting and recording the data upon which allotments and allowances are paid to the dependents of our soldiers and sailors and of making the necessary awards, and writing and mailing the monthly checks for their payment. It is also charged with the duty of passing upon and paying compensation claims, representing more than 2,000,000 risks, arising from the death or disability of our soldiers and sailors, and of receiving and recording applications for insurance and passing upon and paying claims arising from death or disability of those who have taken out insurance. Up to date more than 1,900,000 of these applications have been received, representing more than \$16,000,000,000 of insurance, a larger amount than the total insurance in force upon the books of the 20 largest life insurance companies in the world combined.

It is obvious that promptness and accuracy in the performance of all of this work is essentially important, and also that it is of the highest importance that steps be taken that nothing be left undone to preserve these records from every possible hazard of loss.

At present 3,700 regular employees of this bureau are scattered in various parts of the city, none of the buildings being adapted to the important requirements of the work, and most of them are highly combustible.

This separation of the forces of the bureau has constituted the chief obstacle to its efficiency, and has necessarily resulted in delays and inaccuracies, especially in regrettable delays in replying to thousands of letters received daily making inquiries regarding matters pertaining to the work of the bureau. No one department or section of this bureau can stand alone; records and papers have to be moved by truck or messenger from one building to another; hundreds

of thousands of records and cards have to be transported almost daily between the accounts section in the Carroll Institute to the disbursing office, Fourteenth and E Streets; thousands of pieces of correspondence have to be transported daily between each and every one of the 11 different buildings in which the bureau is forced to operate for lack of suitable fireproof building.

Largely similar conditions obtain with respect to the Internal Revenue Bureau, the important work of which is now compelled to be scattered in 10 buildings, in addition to quarters which it occupies in the Treasury Building.

The activities of these two bureaus are equaled in a large measure by other bureaus of the Treasury which administer the liberty-bond issue. It is impossible to describe the difficulties under which the Treasury is now laboring in its effort not only to raise essential money through the sale of liberty bonds, but to find room for the employees to work in order to turn these bonds out promptly and deliver them to purchasers throughout the country. The corridors of the Treasury Building, where light and ventilation are poor, must be used from time to time for this service. It is an injustice to the employees and a reproach to the Government.

The Railroad Administration will require a large amount of space in order to efficiently manage the railroads of the United States now in the possession and control of the Government. The Interstate Commerce Commission has been good enough to give me as much space in their building as could be spared, but it is wholly insufficient. The Railroad Administration is seriously hampered even now for want of space, and that condition will grow more acute each day.

The War Finance Corporation, just being organized, must have adequate space in which to do the important work assigned to it. This work will constantly increase with the progress of the war, and room must be provided for that purpose.

The responsibilities resting upon the Secretary of the Treasury are numerous and important, and it adds enormously to his burdens if the agencies under his control are unnecessarily scattered. Efficiency of administration will be greatly promoted by the consolidation, as far as practicable, of these great and responsible activities.

It will be evident from this that the providing of adequate quarters for all these activities is a war emergency of the most serious character, and it appeared much more economical and much more advantageous to secure the Arlington property and complete the building than to erect temporary combustible structures, which would present a large loss in the end and be wholly unsatisfactory for the purpose in view. The erection of a permanent building on some other site would have involved great delay and the loss of very valuable time through the razing of standing buildings and the beginning of operations. Moreover, the activities of the Treasury Department, even after the restoration of peace, will necessitate the use of the Arlington Building for a long period of time, if not permanently.

I note the question is asked why the Treasury Annex at the corner of Pennsylvania Avenue and Madison Place will not be sufficient. The construction of that building has commenced and the building will be completed in February of next year, but it will contain less than 100,000 square feet of office space, and will, therefore, not accommodate one-half of the Internal Revenue Bureau, which alone requires 250,000 square feet.

The fact is that without the prospect of having the Arlington Building soon the situation would be exceedingly critical. The price paid for the property is reasonable, and if it were not for the fact that a considerable number of subcontracts have been let for the main building and much material fabricated the cost would be considerably greater—according to an estimate made some time ago approximately \$4,306,000, including site.

At the time the Arlington Building (Inc.) made the offer to the Treasury Department the three stories below ground were completed, the steelwork of the superstructure up to the second story, 80 per cent of the rest of the steelwork fabricated, and the cutting of stone for the facing of the building under way. The company at that time submitted its subcontracts, as far as made, for examination to the Office of the Supervising Architect, which regarded them as reasonable.

Based on these data, an estimate was prepared in that office which showed a reasonable price for the complete building to be \$3,122,350. This included \$811,502 for an addition and \$118,751 for changes required by the Treasury Department, viz, improvement in design and strengthening of the floor construction so as to make it suitable for Treasury use, and changes incidental thereto.

To this must be added \$1,000,000 for the site, making a total of \$4,122,350. Tabulated, the figures stand as follows:

Main building-----	\$2, 192, 097
Changes-----	118, 751
Addition to the building-----	811, 502
Site-----	1, 000, 000
Total-----	4, 122, 350

This corresponds very closely with the proposal, which is for \$4,119,072. This gives a rate per cubic foot of slightly over 40 cents. That this is a reasonable rate is shown by the contract recently let for the Treasury Annex.

The bids for that building in limestone ranged from \$1,145,603 to \$1,397,565. After making some changes, the contract for the building, exclusive of tunnel, was let for \$1,079,952. Certain additional items will bring the cost up to approximately \$1,140,000.

Both the Arlington Building and the Treasury Annex are faced with limestone, but the treatment of the latter is more elaborate, representing approximately \$140,000 in value. After deducting this, the two buildings form a reasonable basis of comparison. The Treasury Annex contains 2,280,000 cubic feet, and would cost, on the basis just explained, \$1,000,000. The Arlington Building contains 7,690,000 cubic feet and cost \$3,119,072. The figures for both buildings are exclusive of cost of the site. The Treasury Annex gives a rate per cubic foot of 44½ cents and the Arlington Building 40½ cents; or, differently expressed, the cost of the Arlington Building, computed at the rate of 44½ cents, would be \$3,372,800, which is \$253,728 more than the contract price. Of course, this figure is merely an approximation, but it shows that if competitive bids for the Arlington Building were taken now the lowest bid would be considerably above the actual contract price. The lower price paid for the Arlington Building is accounted for by the fact that for the portion of the building now completed a lower labor rate was paid than is now obtainable and the further fact that a considerable amount of material is already fabricated. Since the purchase of the building by the Government the cost of ordinary labor has advanced from 30 to 40 cents an hour, or an increase of 33½ per cent.

As already stated, the proposal of the Arlington Building (Inc.) for the main building, addition thereto, and site is \$4,119,072, but in order to have a fund for contingencies and miscellaneous expenses, such as the installation of electric connections for addressographs and other electrically operated machines, for shades, awnings, etc., the Treasury Department requested an appropriation of \$4,200,000, which leaves a balance to be used by the Treasury Department of \$80,928.

There seems to be an impression that the department is acquiring only the building originally contemplated by the Arlington Building (Inc.). As a matter of fact, it is acquiring two buildings, viz, the main building, which is now in course of construction, and an addition thereto on I Street, which has not yet been commenced. The latter contains an area approximately one-third that of the main building, and the two buildings combined cover the whole lot of 1½ acres, leaving only such areas not built upon as are necessary for proper light and ventilation.

The site, comprising lots 24 and 25 and containing 1½ acres, or 58,080 square feet, with the Arlington Hotel Building thereon, was sold in 1912, as ascertained from the District assessor, for \$1,400,000. On January 29, 1914, the site was sold under forced sale for \$850,000. This sale, however, was not consummated, and at an auction sale a week later, viz, on February 5, 1914, the site was sold to the Arlington Building (Inc.) for \$847,000. The expenses connected with the sale brought the price up to \$858,000.

When the department was first considering the acquisition of the property in December, 1917, and January, 1918, it obtained three appraisals of the site by real estate experts, one of whom was the District assessor. The three valuations were as follows:

First-----	\$1, 257, 745
Second, district assessor-----	1, 042, 821
Third, \$900,000 to \$950,000, average-----	925, 000

The average of the three valuations is \$1,075,188.

After obtaining these valuations, the department felt justified in allowing \$1,000,000 as the value of the site.

The main building covers approximately 1 acre and is, in all, 14 stories in height, 3 of which are below grade. The addition covers the remaining one-third acre of the site and corresponds in the number of stories and construction to the main building. The building has a frontage of 70 feet on H Street, 351 feet on Vermont Avenue, and 315 feet on I Street. The three stories below grade have floors designed for a safe load of 300 pounds per square foot and are peculiarly adapted for storing the files of the War-Risk Insurance and Internal-Revenue Bureaus.

The floors of the 11 stories of the superstructure are designed to carry a live load of 100 pounds per square foot for offices and 120 pounds for corridors. The building has a total floor area of 608,000 square feet, of which 471,000 square feet is available for offices. This is about twice the office space contained in the Treasury Department Building.

The impression that the building as designed was unsafe is erroneous.

At this time it is not possible to rent office space of any considerable areas; but when obtainable in small areas, \$1.50 per square foot is not an unusual price. In ordinary times 90 cents per square foot is the usual price for space in a modern office building in a good location, and half that amount for filing space. In the following tabulated comparison these figures have been used, and on this basis show an annual saving of \$73,390:

Interest on cost of investment, 4 per cent of \$4,200,000-----	\$168,000
Depreciation and repairs, 2½ per cent on \$3,200,000-----	80,000
Operation, 27 cents per square foot gross floor area-----	164,160

412,160

Rental charges, including operating expenses, for a building of similar construction and equally well located would not be less than—

471,000 square feet gross area of superstructure, at 90 cents per square foot-----	423,900
137,000 square feet for files and storage, at 45 cents per square foot-----	61,650

485,550

Deduct-----412,160

Annual saving-----73,390

Applying the rental basis to all the available space in the Arlington Building, the rate is 67½ cents per square foot.

If you desire any additional information, I shall be glad to furnish it.

With best wishes, I am, sincerely, yours,

W. G. McAdoo, *Secretary*.

Hon. JAMES D. PHELAN,
United States Senate.

I inclose copy of my letter to the President on the subject of the Arlington Building, dated March 22, 1918.

MARCH 22, 1918.

DEAR MR. PRESIDENT: You were good enough to approve on February 12 an estimate which was promptly submitted to the Congress for the purchase by the Treasury Department of the Arlington Building, now under construction, involving a cost, including the proposed annex to it and such changes and modifications as will make it suitable for Treasury needs, of \$4,200,000. A bill was promptly introduced in the House, was reported favorably by the Committee on Public Buildings and Grounds, and is now pending. I am hopeful of early action by the House, but the calendar is somewhat crowded with other important matters, and I do not know when this bill will be reached, and even after it has passed the House it must pass the Senate. How much time this will require I do not know. I am sure that there is every disposition on the part of the House and the Senate to expedite consideration of this matter, but at best it will take considerable time.

The situation in the Treasury Department is so exigent that I am deeply concerned about its ability to perform the vital work now required of it in the public interest unless immediate measures are taken to provide the amount of office space imperatively demanded. It is not only a question of amount of

space, but also of the time within which it can be obtained. It is equally important that this space should be as far as practicable under one roof in order that efficiency and speed in the administration of important functions of the department may be secured. Not alone that, but the building should be fireproof in order that invaluable records, especially those in connection with the administration of the War Risk Insurance and Internal Revenue Bureaus may not be imperiled by fire.

The Arlington Building is partly constructed. It will have sufficient space to fill the imperative needs of the Treasury, and if taken hold of immediately by the Government, can be pushed to prompt completion. If taken hold of now, it can also be constructed with reference to the Treasury's particular requirements, and in addition to that the exterior treatment of the building can be greatly improved without large additional cost, so as to make it far more attractive architecturally than the building as now designed.

As you know, the War Risk Insurance Bureau is now taking care of the dependent families of our soldiers and sailors who are at the front, is administering over \$12,000,000,000 of insurance on the lives of our soldiers and sailors, and is performing the most prodigious task of its kind ever undertaken by any Government. This work is rapidly increasing, and of necessity must continue to increase with the growing list of killed and wounded and with the enlargement of the Army and Navy which must come with the progress of the war. The Internal Revenue Bureau must continue to grow as the war proceeds in order to administer successfully the additional duties which will have to be imposed upon it. These two activities alone require more than 500,000 square feet of space in addition to the 96,000 square feet to be provided by the Treasury Annex soon to be erected on the corner of Pennsylvania Avenue and Madison Place. At present the War Risk Insurance Bureau is being administered in eight different buildings in Washington, the Internal Revenue in 10 different buildings. The inefficiency, delay, and unnecessary expense resulting from this scattering of the activities of these important bureaus are greater than I can describe. It is extremely hurtful to the public interest. In fact, it works an injustice to the dependents of our soldiers and sailors and to our soldiers and sailors themselves, when the functions of the War Risk Bureau are made inefficient because of inadequate office space in which to do the necessary work.

Not the least serious feature of this situation is the fact that the invaluable and irreplaceable records of the War Risk Insurance Bureau and of the Internal Revenue Bureau are now in considerable part stored in nonfireproof buildings and might be destroyed, to say nothing of the possibilities of loss of human life from overcrowding in such buildings and the insanitary conditions under which the employees are now forced to work.

The activities of these two important bureaus are equalled in large measure by other bureaus of the Treasury which administer the liberty-bond issues. It is impossible to describe the difficulties under which the Treasury is now laboring in its efforts not only to raise essential money through the sale of Liberty bonds but to find room for the employees to work in order to turn these bonds out promptly and deliver them to purchasers throughout the country. The corridors of the Treasury Building, where light and ventilation are poor, must be used from time to time for this service. It is an injustice to the employees and a reproach to the Government.

The Railroad Administration will require a large amount of space in order to efficiently manage the railroads of the United States now in the possession and control of the Government. The Interstate Commerce Commission has been good enough to give me as much space in their building as could be spared, but it is wholly insufficient. The Railroad Administration is seriously hampered even now for want of space, and that condition will grow more acute each day.

The War Finance Corporation, which will spring into existence as soon as the pending law is enacted and receives your approval, must have adequate space in which to do the important work assigned to it. This work will constantly increase with the progress of the war, and room must be provided for that purpose.

The responsibilities resting upon the Secretary of the Treasury are so numerous and important that it adds enormously to his burdens if the agencies under his control are unnecessarily scattered. Efficiency of administration will be greatly promoted by the consolidation, as far as practicable, of these great and responsible activities.

This is a war emergency of the most serious character. I can not overstate it. Every day of delay is aggravating the problem and imperiling the public interest. In these circumstances I am moved to beg you to allot to the Treasury \$4,200,000 out of the war emergency fund in your control, with authority to expend so much of it as may be necessary in the purchase of the Arlington property and the completion of the building now under construction and in the erection of the proposed annex thereto. This will enable the Treasury to get back of the contractor and expedite the work greatly. If the Treasury can take possession of this property immediately, it will be possible to complete a large part of the building and have it ready for occupancy in the early fall.

If you will grant this request, the war emergency fund may be reimbursed when the Congress passes the pending bill for the purchase of the Arlington property. I am most reluctant to make this request, but the situation is so exigent that I would be derelict in my duty if I did not do so.

I inclose a list of the 18 different buildings, together with a map, upon which is indicated their location in the city of Washington, from which you can see how widely the business of these two bureaus of the Treasury is now scattered.

It is far more economical and far more advantageous to the Government to buy the Arlington property and complete the building than to erect temporary combustible structures, which would represent a large loss in the end and be wholly unsatisfactory for the purposes in view. Moreover, the activities of the Treasury Department, even after the restoration of peace, will necessitate the use of the Arlington Building for a long period of time, if not permanently.

There is no other opportunity in Washington which will meet the Treasury's imperative need within a reasonable time, or at all, so far as I have been able to discover.

With the earnest hope that this request may receive your prompt and favorable consideration, I am,

Faithfully, yours,

W. G. McAdoo.

The PRESIDENT,

The White House.

Inclosure.

[Copy.]

MAY 14, 1918.

NOTE.—When this letter was written the War-Risk Insurance and the Internal-Revenue Bureaus occupied 18 buildings; they now occupy 21.

Mr. McAdoo and I were amazed and disgusted, I may say, also, some 15 months ago to hear accidentally that some such stories as those were being mulled around or whispered around the Capitol, and we tried at once to reach the sources of those stories, but were unsuccessful. As soon as we heard them Secretary McAdoo wrote that letter to Congressman Pou, who was then chairman of the Committee on Rules. He was naturally extremely indignant that any such insinuation should have been made at this or any other time.

Now, gentlemen, I have tried to make my statement as explicit and as unqualified as I could and to express my deep indignation that any Member of Congress should have dared to make an insinuation of that sort for which he has not the slightest ground or foundation, and then when invited to come here to face me this morning and to make his complaint, should have kept away.

I can not help feeling a little indignant about it, and if I am too warm in discussing it I hope you will excuse me.

Mr. Chairman, I think, as far as I know, that that covers this particular case except that I will get you the information you have asked for.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Williams any further questions? If not, do you want to go on to another point?

Mr. WILLIAMS. I should like very much to have Mr. Jones get that matter here this morning—

The CHAIRMAN. I think Mr. Jones is waiting to read the testimony. I know he has not had an opportunity to read it yet, as he told me. I asked him a few minutes ago, and he said he had not yet had an opportunity to read it. I think it will save time to let him read it.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. If you have any other point that you wish to bring to the attention of the committee now, you may do so.

Mr. WILLIAMS. I have not at this time.

The CHAIRMAN. We will take a recess until 2 o'clock.

(Whereupon, at 11.25 o'clock a. m., the committee took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The committee reconvened, at the expiration of the recess, at 2.10 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, while we are waiting for the next witness, Mr. Jones, I ask your attention for a short while to the testimony given here in regard to the Red Cross deposits and the Shipping Board deposits, by Messrs. Hogan and Poole. I submitted several days ago letters from the assistant treasurer of the Red Cross showing the injustice and incorrectness of the statements which had been made in regard to those particular deposits by Messrs. Hogan and Poole, and I now ask your attention to certain matters in that connection.

On page 159 of the printed hearings the witness Hogan said:

While Mr. Poole was giving this tremendous time and attention to this splendid public work, it was obvious to him and to the directors of his bank that the bank was not getting anything like a fair share of consideration in connection with the largest line of deposits in the District of Columbia—the Government deposits.

As to the general Government deposits I will speak in a few moments. The same paragraph continues:

Mr. Poole applied to the Red Cross—

It seems clear that what Mr. Poole applied for was for Red Cross deposits. I do not think we can draw any other conclusion from the context than that he applied to the Red Cross for deposits. The line does on:

And he learned there—

That is to say, at the Red Cross office—

that John Skelton Williams, who had never let go, as I understand, as treasurer of the Red Cross, had indicated the Commercial National Bank, a pet of his since he went into office, to get a line of something over over \$400,000 of Red Cross deposits, though the officials of the Red Cross at that time in charge of that particular deposit—

Evidently some deposit to which he refers, of \$400,000 or thereabouts—

desired to place it in the Federal National Bank.

It appears that that was the deposit that he applied for.

I ask your attention in that connection to page 29 of the type-written edition of the hearings of Monday, July 14, where Mr. Poole states very expressly:

I wanted that understood, that at no time did I solicit the account from the American Red Cross, nor would I have done it, being one of its officers, a member of its finance committee, and chairman of its second Red Cross war fund of the Potomac Division.

Gentlemen, those statements are in direct conflict, and I respectfully leave it to you to determine which of those gentlemen is using the truth with penurious frugality.

"I wanted that understood, that at no time did I solicit the account from the American Red Cross," says Mr. Poole. Mr. Hogan says, "Mr. Poole applied to the Red Cross."

It appears also pretty clear, from what I will now present to you, that Mr. Poole's applications to the Red Cross were not fruitless. I submitted a few days ago a letter from the assistant treasurer of the Red Cross giving the balances carried with the Federal National Bank during a period of months by one of the Red Cross accounts. I wrote a letter to the Red Cross after the hearing and asked them please to give me a statement from their own books of any Red Cross deposits that they happened to have had by months, from November, 1917, to the time when Mr. Poole states that he called upon me and he was given to understand that he could expect no consideration of any sort in the way of deposits with which I had any connection of any sort or which I could influence. The statements of Mr. Poole's bank show five Red Cross accounts, one apparently which he has had since November, 1917, or prior thereto—it begins that year in this statement—and continuing to the present time, practically a comparatively small account. In November it had a balance of \$6,000, in December \$5,000, and at the present time a few hundred.

The CHAIRMAN. Read the amounts, please.

Mr. WILLIAMS. Each month?

The CHAIRMAN. Whatever times you are calling the attention of the committee to.

Mr. WILLIAMS. I read November, 1917, \$6,000, and the following month, \$5,000. Shall I read the following months—the succeeding months?

The CHAIRMAN. Yes.

Mr. WILLIAMS:

1918:		1918—Continued.	
January	\$7,000	November	\$275
February	3,000	December	275
March	2,500	1919:	
April	2,000	January	225
May	500	February	205
June	350	March	200
July	350	April	200
August	300	May	200
September	275	June	200
October	275	July	200

That was an account called "War fund."

The CHAIRMAN. What was that called?

Mr. WILLIAMS. Apparently "War fund." I do not know what it meant.

The CHAIRMAN. I thought you were referring to Red Cross funds. Mr. WILLIAMS. This was Red Cross, the "Red Cross," with the words "war fund" after that.

Here is another account, apparently opened in January, 1918, about a month after his call at my office. The average balance in January appears to have been about \$5,000.

1918:		1918—Continued.	
February	\$30,000	November	\$30,000
March	57,000	December	20,000
April	70,000	1919:	
May	45,000	January	30,000
June	30,000	February	40,000
July	50,000	March	30,000
August	50,000	April	60,000
September	45,000	May	20,000
October	25,000	June	10,000

Here is another account, "Foreign No. 1." That is the Cutler account, I think, referred to by Mr. Byrd—one of them. That account shows:

1918:		November	7,000
February	\$4,600	December	5,000
March	8,000	1919:	
April	14,000	January	11,000
May	22,000	February	12,000
June	8,000	March	25,000
July	10,000	April	15,000
August	8,000	May	15,000
September	30,000	June	12,000
October	40,000	July	10,000

Here is another account, "Red Cross, Foreign No. 2."

1917—December	\$29,000	October	16,000
1918:		November	20,000
January	3,500	December	17,000
February	4,000	1919:	
March	500	January	16,000
April	700	February	13,000
May	3,700	March	17,000
June	4,000	April	15,000
July	8,000	May	17,000
August	8,600	June	17,000
September	6,000	July 10	21,000

Senator GRONNA. Are those monthly balances?

Mr. WILLIAMS. I think those are the average balances for those months. Here are the original letters from the Federal National Bank, with the different accounts drawn off on that table for convenience.

The CHAIRMAN. Down to what period does that come?

Mr. WILLIAMS. July 10, the day of his testimony.

The CHAIRMAN. Does that include March 13, 1918?

Mr. WILLIAMS. Yes, sir. It does not include the large balances which were taken in one day and taken out the other, apparently, according to the record.

Senator GRONNA. Have you the statement of the Commercial National Bank, Mr. Williams? I ask that question because I find in Mr. Hogan's testimony this statement—you read part of it:

Mr. Poole applied to the Red Cross, and he learned there that John Skelton Williams, who had never let go, as I understand, as treasurer of the Red Cross,

had indicated the Commercial National Bank, a pet of his since he went into office, to get a line of something over \$400,000.

Mr. WILLIAMS. I will state here and now that no such suggestion had even been made to me. I never knew of it. I never knew of the incident relating to the transfer of the deposits from the American Security & Trust Co. to the Federal National Bank until the testimony was given here by Mr. Hogan, and I called Mr. Byrd on the telephone. There was no such discussion. That particular fund he refers to there as a special fund was the fund for which Mr. Henry White was treasurer. He had the account, as the evidence shows, in the American Security & Trust Co., transferred it one day to the Federal National Bank, and it was discovered that it was an error and it was transferred immediately back to the same company which had it originally. There was never at any time any discussion or any reference or information or suggestion, as far as I know or believe, that that account should ever be taken to the Commercial National Bank or to any other bank. Mr. Byrd has explained that the heads of the divisions of the Red Cross were given the privilege of nominating the depository for each division. Those 14 divisions did nominate their banks, and looking over the list, they seemed to be solvent and responsible banks, and in no case did I make or suggest a change.

Senator GRONNA. My question was—if you do not happen to have it, of course, I will not ask for it, unless you happen to have it here—how the deposits in the Commercial National Bank compare with those.

Mr. WILLIAMS. I have not that statement. I can give it to you if you desire it. But I just want to make that plain, that there was no foundation for the intimation that anyone had thought of suggesting a change from the American Security & Trust Co., Mr. White's depository, to any other bank, except to the Federal, where it was put one day and taken out immediately.

Senator GRONNA. What would be your idea with reference to the amounts in the Commercial National Bank? Are the deposits larger in the Commercial National Bank, during that period of time, or are they smaller?

Mr. WILLIAMS. I should be very glad to look that up and let you know. I know they are very much less than many other depositories.

Senator CALDER. Is it possible for you to submit to the committee a statement of the Government deposits and Red Cross deposits in the several banks in the city of Washington?

Mr. WILLIAMS. Certainly.

Senator CALDER. Government deposits of every character?

Mr. WILLIAMS. Yes. Of course, the Red Cross deposits are not Government deposits.

Senator CALDER. I understand.

Mr. WILLIAMS. As to Mr. Hogan's further statements, he says, referring to the deposits:

He got it out of the Federal, and I am going to show to you that he did it because the Federal had the temerity to have my name on its directorate.

That statement is wholly untrue. I do not know whether it is worth while for me to enlarge upon it. It is simply one of many.

The CHAIRMAN. That you objected to putting—

Mr. WILLIAMS (reading):

He got it out of the Federal, and I am going to show you that he did it—

That is to say, that I got those deposits out of the Federal Bank—

because the Federal had the temerity to have my name on its directorate.

The CHAIRMAN. Mr. Williams, I do not happen to have the page of the testimony now before me but the coincidence was rather a strong one, and I asked Mr. Poole if he had any doubt as to the moving cause, and he said, "Yes, I have doubt," very frankly. He said, "I do not know. Under the circumstances, that is my guess." That being so, it does not seem to me as though it were worth while to waste a good deal of time over that point. Mr. Poole did not accuse you. He stated the facts, and I asked him if he had any doubt as to your responsibility, and he said yes.

Senator NEWBERRY. Page 188 of the printed testimony.

The CHAIRMAN. I think my quotation of it is substantially correct, Senator Newberry.

Mr. WILLIAMS. May I explain? That is one respect in which the testimony of these witnesses is contradictory, not only as to each other but as to themselves. Mr. Poole on page 2 of the typewritten statement of Monday, July 14, says:

Mr. Hogan has said that the Federal National Bank, of which I am president, has been discriminated against by Mr. Williams in the matter of receiving certain deposits, and that this was due to the fact that he, Mr. Hogan, was one of our directors.

Here is an unequivocal statement:

Those statements are true, and I will explain briefly.

The CHAIRMAN. Mr. Poole did say, and repeated it—I am quoting now from page 183:

I am telling you, however, that Mr. Williams positively, to me, refused to approve our bank for this business. Of that there is no doubt. We got the business, not because of Mr. Williams's willingness to approve us, but only because somebody apparently went beyond him and put it in there anyhow.

Mr. WILLIAMS. As I say, here is a statement charging me with discrimination.

The CHAIRMAN. What have you to say to that statement of Mr. Poole?

Mr. WILLIAMS. I say that to imply directly or indirectly that I was responsible therefor is untrue.

The CHAIRMAN. How about the Fleet Corporation money?

Mr. WILLIAMS. I am coming to that in a few minutes. I will just try to dispose of the Red Cross first.

The CHAIRMAN. Mr. Hogan's statement was hearsay, conversations he had had with Mr. Poole, and he suggested at the time, "You call Mr. Poole, and he will give you the actual facts." I do not think, if I were you, I would waste very much time on those little differences, because Mr. Poole was the man who knew, and he has given his testimony. It does not seem to me that there is any very great controversy between you and Mr. Poole with regard to the Red Cross funds. He stated the facts.

Mr. WILLIAMS. I have shown you that, so far from his having been discriminated against, he was the beneficiary of four or five accounts, according to the statements which his own bank has sent in. And that does not indicate discrimination, going back to November, 1917, the time at which he had the talk with me.

Mr. Hogan continues:

Shortly thereafter, it was well known in this community that the Emergency Fleet Corporation had millions of dollars to deposit here, and to distribute in various banks. Mr. Poole learned, informally, that one of the depositaries that the disbursing officials of the Emergency Fleet Corporation desired to make deposit in was the Federal National Bank. Mr. Williams, who tells you he has no control over public funds, holds that control this way: Since he has been comptroller, any public official who has the depositing of public funds must submit to him the bank, or a list of the banks, that he recommends depositing in, under the guise of knowing the condition of the bank.

That statement is wholly incorrect. There is no such requirement of any department of the Government.

The CHAIRMAN. As a matter of fact, you did have something to do with recommending the depositaries, did you not?

Mr. WILLIAMS. Indirectly. I will show you exactly what I did have, if anything, to do with that. But there was no provision that any of the funds must submit lists of banks to me. If any division of the Government, any commission, should submit a list of banks, and ask as to the solvency or condition of those banks, they would be informed tactfully and properly of conditions. If a bank was in a shaky condition which did not justify their being made the depository for Government or quasi-Government deposits, the suggestion would be made that they had perhaps better select some other bank in that city.

In that connection I will state that during the Red Cross campaigns the funds as collected throughout the country were deposited in a great many places, in a great many banks, and the War Council or the "War fund" not being informed as to the character and standing of these hundreds of depositaries, on one or two occasions submitted to me a list of the banks where they had their funds. I referred it to the examining division, so that they might look over the list and suggest that deposits be reduced or removed from those banks which were on the doubtful or special list because of their unsatisfactory condition.

That I regard as a duty and that was done. But before that was done, however, there were two or three cases where the State banks in which the Red Cross authorities had deposited their funds failed, and tied up for a while—I do not know what the ultimate losses were—in two or three cases the deposits which were in those particular banks. Therefore, it is a reasonable and rational thing to do to become posted as to the general standing of a bank proposed for a depository. But there was no such requirement as that, nor are my recommendations or suggestions or data compulsory upon those making inquiry.

Mr. Hogan goes on and says:

Then, by a process of elimination he can strike off down to one, or down to those he wishes to favor with the deposits. Then the deposit is made in the bank approved by the comptroller.

That is wholly misleading and untrue.

And then that comptroller come before a Senate committee and asks them to believe that he has nothing to do with what bank gets deposits.

That statement, as I say, is a distortion of the actual conditions. Mr. Hogan continues:

So Mr. Poole was informed, in his capacity of president of the Federal National Bank, that Mr. Williams had before him for consideration an official communication on the subject of depositing Emergency Fleet Corporation funds in the Federal National Bank. Mr. Poole, as I say, at that time was conspicuous for his public duty. His bank was conspicuous for its excellent response to the Government's demands on it. So he went over to the office of John Skelton Williams, and he asked Mr. Williams if his bank was not fairly entitled to and should not receive a share of the Emergency Fleet Corporation funds.

Then he goes on and undertakes to quote me, and says I said:

"How do you expect to have me approve your bank as a depository for public funds when you have that man—"

Referring to himself—

"on your directorate, a man as unfriendly to the administration as he is, a man who has made the attacks on this administration that he has? Never—"

I am telling you in substance. Mr. Poole will tell you the language—

"never so long as you have that name there will I knowingly approve your bank for a deposit of any funds I have any control over. What have you got him there for? How much stock does he own?"

Another distorted and grossly incorrect version.

Senator GRONNA. He has reference now to—

Mr. WILLIAMS (interrupting). To me.

Senator GRONNA. No; you have reference to Mr. Hogan.

Mr. WILLIAMS. He said I made those statements to Mr. Poole. He says:

But here is what he said in substance, "If you get him off your board, if he is no longer on your board, then you can come back, and you will get other consideration."

Then he goes on and says:

Gentlemen of the committee, when I saw, as a director would naturally see, that the Red Cross deposit lasted only 24 hours in that bank; when I saw, as a director naturally would see, that that bank was obviously being discriminated against in the matter of public deposits generally, I went before its executive committee.

Those statements are wholly untrue, those statements of Mr. Hogan, as I will endeavor to show you.

Mr. Hogan continues:

Mr. Poole, as president of the Federal National Bank, shortly after his talk with Mr. Williams, was informed by officials of the Phoenix National Bank, in New York, that if the Federal Bank would carry \$100,000 of deposits for its own account with the Phoenix National Bank the officers of the Phoenix National Bank felt quite confident they could assure the Federal a deposit of \$500,000 of the Emergency Fleet Corporation's funds. Think of that. Within a few days after John Skelton Williams had refused to give a deposit to that bank came this offer that if we would deposit \$100,000 in the Phoenix National Bank, of which a Mr. Bolling was vice president, we would get \$500,000 of the Emergency Fleet Corporation's deposits.

The witness Ramsay, who appeared here a few days ago, who Mr. Poole stated was the man who made some such proposition as that to Mr. Poole, has denied that he made any such statement whatsoever. I do not know that Mr. Poole categorically stated that no

such offer was made by any representative of the Phoenix National Bank, but I am informed that that statement of Mr. Hogan's was without a scintilla of foundation.

The CHAIRMAN. Now, Mr. Williams, on page 178, part 3, at the bottom of the page:

Mr. Williams told me that he did not know just what banks in Washington were depositaries of the Fleet Corporation, but he thought the Metropolitan was one. I then told him I was informed by the same party who submitted the proposition to me that the Metropolitan did open an account with the Chatham-Phoenix National Bank, with the understanding that they, the Metropolitan, would receive a large deposit from the Fleet Corporation, and that the transaction worked out exactly as agreed upon.

I also told Mr. Williams that several other banks in Washington were going to do likewise, which ones I did not know.

Mr. Williams referred to our previous conversation about having the Federal National approved as a depositary, and asked me if Mr. Hogan was a large stockholder, going on to say that he was unwilling to approve our bank because of the fact that there was on the board a man so decidedly unfriendly to the administration as Mr. Hogan had shown himself to be.

That is the point.

Mr. WILLIAMS. I was coming to that, but I will be glad to take that up at once, if you wish it. Mr. Poole's statements before this committee were a garbled and distorted version of what was said in the interview which I had with him in the latter part of 1917.

The CHAIRMAN. Yes; and Senator Newberry calls my attention to page 173, the very first page of part 3:

Mr. Williams wanted to know who our directors were. I started to name them, whereupon he touched a button and directed one of his staff to get a copy of the last report of the Federal National Bank. It was brought in, handed to him, and as it happened, was folded in such manner that the name of "Frank J. Hogan" was in plain view. Immediately Mr. Williams read aloud Hogan's name, seemed to be much agitated, and with considerable feeling informed me that he would not give his approval to a bank whose directorate included anyone who was so manifestly antagonistic to the administration.

He proceeded to accuse Mr. Hogan of deliberately, willfully, knowingly, and maliciously attacking the administration and misrepresenting facts in the Riggs Bank controversy. He was exceedingly harsh and abusive in his criticism of Mr. Hogan, whom I have always known to be a man of unusual brilliance, the highest integrity, and unassailable character.

Mr. Williams was kind enough, however, to pay me a very high personal tribute, and spoke in a most complimentary manner * * *

Mr. WILLIAMS. I will be very glad to advise you of the real incidents or happenings or statements made at that interview. Mr. Poole has stated that he called twice, once in November, a few days before the deposit of Shipping Board funds were made with his bank, and he states that it was upon that occasion that I expressed my opinion of Mr. Hogan to him.

What really happened in our conversation was that I assured Mr. Poole that his bank would always receive very fair consideration from the administration, or from my office, as far as I had any relation to it; that its interests would be safeguarded and protected. But I did say to him, in connection with the fact that among his directors was Mr. Hogan, that I felt that Mr. Hogan had been most unfair to the administration, and that he had attacked it in a willful and malicious manner, that he had made many statements in regard to

the administration which I was convinced were wholly unwarranted, but that despite that he might rest assured that his bank would always receive fair treatment.

That is the substance and gist of what transpired at our interview when Mr. Poole brought up and discussed that subject with me.

To show you the improbability of my having made any such statement to him that I would try to influence or prevent his receiving public deposits or Government deposits, or anything I could control directly or indirectly, I call your attention to the fact that he states that a few days after his visit to me, when he alleges I displayed such antipathy toward one of his directors, the account of the Shipping Board was opened with him. A few days after that he received that account.

Senator NEWBERRY. Mr. Williams, do you deny the fact, then, that you informed him that you would not give your approval to a bank whose directorate included anyone so manifestly antagonistic?

Mr. WILLIAMS. I deny the accuracy of his statement, and I have stated what did occur between us, that I assured him that his bank would always receive full and fair treatment and consideration. But I did comment upon the fact that I thought that one of his directors had been unfair, but, notwithstanding that, his bank would always receive fair treatment, and I think I can now show you that his bank not only received its full share, its full pro rata, of all Government deposits, but I think it received more than its pro rata.

But before doing so, let me come up to the interview which he says we had on December 20, 1917. I was uncertain in my own mind as to what the dates were as to these two interviews which he refers to, but I do find from my memorandum of callers at my office that Mr. Poole did call at the comptroller's office on the 20th of December, and I think that for purposes of argument we may assume that it was on that occasion that he told me of the proposition which had been made to him by some one in connection with the Chatham-Phoenix Bank of New York. Mr. Poole came in on that occasion in a very mysterious way, and said that he had something that he thought it was his duty to bring to my attention. Now, mind you, for six weeks prior to that time he had the account of the Shipping Board.

The CHAIRMAN. How much? Have you the detailed statement of that account?

Mr. WILLIAMS. I have a memorandum of it.

The CHAIRMAN. There were two of those funds, were there not? One was called the Emergency Fleet and one the Shipping Board?

Mr. WILLIAMS. I do not know. It is "Emergency Fleet Corporation, United States Shipping Board," according to the bank's statement which they officially presented. That was in response to a letter from me as to whatever balances they had for the Shipping Board. I think it covered everything connected with the Shipping Board.

He had had, as the record shows, that account for about six weeks at the time that he called. I did not know whether he had it or not. It would have been impossible for me to have given to him or to anyone else a list of the Shipping Board's depositaries. I did not know who they were, had no idea of who the list was. It is true that the Shipping Board or some officer of the Shipping Board had from time to time made inquiry of the Secretary of the Treasury as to

whether this or that bank in this or that community was a suitable bank for a Shipping Board deposit. It might be, for example, that Kingston, N. Y., might have a shipyard, and they might want to deposit some funds for some purpose. I have an illustration of that here, showing the character of the inquiries of that time. They happened to come to me sometimes. I do not know whether they always came to me or to what extent they came to me. But when we received any inquiry, here is the way it was handled. Through the courtesy of the Secretary's office, I have borrowed this file so that I might present it to you.

The memorandum is sent to my office with regard to Kingston, N. Y. They ask as to the banks there suitable for the opening of an account:

OCTOBER 23, 1917.

DEAR MR. COOKSEY: Referring to your memorandum of the 15th instant, inquiring as to what banks in Kingston, N. Y., would be acceptable as depositaries for funds of the Emergency Fleet Corporation, I am inclosing memorandum showing the capital, surplus, and profits, and resources of each national bank in that city. All these banks appear from our reports to be in good condition. However, the First National Bank, the Rondout National Bank, and the State of New York National Bank, in the order named, appear to have sent in subscriptions for the largest amounts of bonds of the first Liberty loan, and I think preference should be given to one of these three banks.

Sincerely,

J. S. WILLIAMS.

GEORGE R. COOKSEY, Esq.,

Assistant to the Secretary, Treasury Department.

I gave him the facts and let him draw his own conclusions. When the list would come to me, I would send it down to the chief of the division of examinations, who would compile the data. Then I would send it back to Mr. Cooksey, and upon receipt of that letter, the Secretary's office would make reply. In this case the letter was written apparently by Acting Secretary Rowe to Mr. Stevens, treasurer of the Emergency Fleet Corporation, as follows:

OCTOBER 26, 1917.

Mr. R. R. STEVENS,

Treasurer Emergency Fleet Corporation,

United States Shipping Board, Washington, D. C.

MY DEAR MR. STEVENS: Replying to your inquiry as to the banks at Kingston, N. Y., acceptable to act as depositaries for funds of the United States Shipping Board, Emergency Fleet Corporation, you are advised that either of the following-named banks would be satisfactory to the Treasury Department:

First National Bank of Rondout:

Capital.....	\$200,000
Surplus and profits.....	311,858
Resources.....	1,656,714

Rondout National Bank:

Capital.....	100,000
Surplus and profits.....	103,195
Resources.....	1,136,217

State of New York National Bank:

Capital.....	150,000
Surplus and profits.....	104,039
Resources.....	1,046,247

Sincerely, yours,

Rowe, *Acting Secretary.*

That was the way in which these inquiries would sometimes come to my office.

The CHAIRMAN. Was that a custom?

Mr. WILLIAMS. I do not know how far it was followed. In some cases, as far as I know, they would elect their own depositaries, and in other cases, where they knew nothing of the banks, they would send a memorandum over to the Treasury.

The CHAIRMAN. Did they submit a list of Washington banks to you?

Mr. WILLIAMS. I am coming to that right now. So, when Mr. Poole called December 20, 1917, his bank had had those deposits for six weeks or more. I knew nothing about them. When the banks were selected by the Shipping Board the Treasury was not advised, or, if the Treasury was advised, the comptroller's office was not advised. Of course, we could probably ascertain by looking over the statements of 8,000 banks rendered to the office and find out which were depositaries of Shipping Board funds. But that, as far as I know, was not done. It was not our concern.

Therefore, I say that Mr. Poole's suggestion that his bank had been discriminated against in any way by my office is wholly without warrant.

I asked the Secretary to please look over the files and see if there was anything in relation to the account of the Federal National Bank, the Shipping Board inquiry, or anything of that sort, and he sent me these letters. As far as I know, to the best of my knowledge and belief at this time, these are the first inquiries which were received at the Treasury in regard to either the Metropolitan National Bank or the Federal National Bank. Here is a letter dated November 26, 1917, in which the secretary, Mr. Sisler, asks the honorable Secretary of the Treasury as follows:

UNITED STATES SHIPPING BOARD,
Washington, November 26, 1917.

The honorable the SECRETARY OF THE TREASURY.

DEAR SIR: On the 25th instant this board authorized the disbursing officer to deposit in the National Metropolitan Bank, of this city, subject to the approval of the Secretary of the Treasury, checks which have been received from charters of steamers engaged in the movement of coal in and out of New England (which vessels have been requisitioned by the board), pending a settlement of a dispute between the owners and charterers of these vessels as to the distribution of the amounts represented in these checks.

The Emergency Fleet Corporation now has very large sums on deposit in the Commercial National Bank, the Federal National Bank, and the District National Bank, and the chief counsel of the board has advised that it is desirable not to merge the funds in controversy with any of the existing accounts in the institutions named.

Your approval is, therefore, respectfully requested to the placing of these checks on deposit with the National Metropolitan Bank, to draw interest at the rate of 2½ per cent per annum.

Very truly, yours,

LESTER SISLER,
Secretary.

I mention that because, as far as I know, that is the first request reaching the Treasury in regard to either of these two banks. That is November 26, 1917.

As far as I know, the first inquiry to the Treasury in regard to the Federal National Bank is this letter here of January 4, 1918:

UNITED STATES SHIPPING BOARD,
EMERGENCY FLEET CORPORATION,
Washington, January 4, 1918.

GEORGE R. COOKSEY, Esq.,
*Assistant to the Secretary,
Treasury Department, Washington, D. C.*

DEAR MR. COOKSEY: I shall be greatly obliged if you will have the Federal National Bank, Washington, D. C., approved as a depository for the funds of the Division of Operations of the Emergency Fleet Corporation.

Sincerely,

R. B. STEVENS,
Treasurer of Corporation.

That is two weeks after Mr. Poole's visit to me, and nearly two months after he had gotten the funds.

The CHAIRMAN. Of course, as I understand it, Mr. Poole admitted that he had a deposit a few days after November 7 of \$71,000, and another November 10, making a little over \$607,000. That was 1917; from November 7 to November 10.

MR. WILLIAMS. That does not look as though any untoward influence was being used against him.

The CHAIRMAN. What he said was this, in answer to Senator Newberry's question:

Senator NEWBERRY. May I interrupt to ask, if the comptroller is required to approve a depository as you say he did not in this case, by what authority and under what law such deposit was made?

MR. POOLE. Senator, I do not know. I will show you, however, that the deposits were made, and we had them at the time of a subsequent call on my part upon Mr. Williams; and that we also got a very large deposit. I will show you in a few minutes, a little later; how it happens I do not know. I can not explain the operation of the Fleet Corporation, because I do not know that.

Senator FLETCHER. How do you know Mr. Williams did not approve of it?

MR. POOLE. Mr. Williams told me that he did not, and he told me later, when I called on him, as I will show you, that he would not, again reviewing the Hogan case and our previous interview, at a time when we did have deposits. And I will also show you that the largest deposit which came to us, came at a time and with a statement that a request had been made for the approval of it, and for me not to do anything further, and purposely the latter requesting that was antedated, for Fleet Corporation purposes.

And all through this you refused to approve that bank. He did not deny that he got it, but, as I understood him, he got it against your protest.

MR. WILLIAMS. I deny that emphatically, and say that there was no such protest and any insinuation, statement or allegation to the contrary is wholly and unwarrantedly false.

Senator CALDER. A moment ago you read an inquiry being made about the Federal Bank. Have you an answer to that?

MR. WILLIAMS. I am going to read another one about the same thing six days after the letter I have just read:

UNITED STATES SHIPPING BOARD,
EMERGENCY FLEET CORPORATION,
DIVISION OF OPERATIONS,
Washington, January 10, 1918.

MR. GEORGE R. COOKSEY,
Assistant to the Secretary of the Treasury, Washington, D. C.

MY DEAR SIR: The Division of Operations, United States Shipping Board Emergency Fleet Corporation has at present three bank accounts in Washing-

ton, viz, the Commercial National Bank, the National Metropolitan Bank, and the Federal National Bank.

The Commercial National Bank and the National Metropolitan Bank have already been approved, and you have been asked to approve the Federal National Bank, as a depository for the above funds.

As it seems desirable to distribute these funds more widely I now ask that you furnish us with a list of institutions in Washington that would meet with your approval for this purpose.

The Continental Trust Co. and the Second National Bank have made application for an account.

Very truly, yours,

R. B. STEVENS, *Treasurer.*

That letter is dated January 10, 1918. As far as I know, or as our records show, the question of the approval of either the Federal National Bank or the Metropolitan National Bank was never acted upon by the comptroller's office. Why? I read you that letter of January 10, addressed to Mr. Cooksey. Here is a letter of January 11, 1918, the day after that letter was signed by the Shipping Board, and this was presumably written the day that was received at the Treasury asking approval:

JANUARY 11, 1918.

DEAR MR. HURLEY: I learn that the Emergency Fleet Corporation has very large sums of money on deposit in various banks in this city. It is desirable that these sums be kept on deposit with the Treasurer of the United States particularly in view of the fact that such deposits in banks are unsecured. What is perhaps even more important, the very great war expenditures which the United States is making necessitates that withdrawals from the Treasury be made not a moment earlier than is absolutely necessary. I know how desirous you are of cooperating in every way in the financial side of the problem. I should be greatly obliged if you would ask Mr. Soleau, of the Shipping Board, and Mr. Bander, of the Emergency Fleet Corporation, to attend a conference at this department with the Treasurer of the United States and the Comptroller of the Treasury with a view to working out a plan whereby the disposition of these funds may be satisfactorily determined, and also to evolve a way of handling the appropriated funds turned over to the board and corporation so that these moneys will not be drawn out of the Treasury until needed.

By direction of the Secretary.

Very truly, yours,

R. C. LEFFINGWELL,
Assistant Secretary of the Treasury.

Hon. EDWARD N. HURLEY,

Chairman United States Shipping Board, Washington.

That simply shows that at the very time that these applications were first received, the Secretary of the Treasury took up the matter of withdrawing the funds from all banks, rather than increasing the number of depositories. The deposits had already been made in several local banks here, some of them approved and some of them had not been acted upon, so far as I know, and they were simply permitted to stand in status quo until they should all be turned over to the Government, and, as I understand it, those transfers from the various banks in Washington to the Federal Treasury were made simultaneously, and with a view to making them as easy as possible upon the banks holding the funds, by dividing it into installments, so that in the next two or three months they were all back in the Federal Treasury.

Senator CALDER. So that all of the Shipping Board deposits were withdrawn from all the banks?

Mr. WILLIAMS. Practically at the same time, so far as I know. I understand that the arrangements were made so as to deal absolutely

impartially with them all; that they were conferred with; that they were visited by some representative of the Shipping Board—as to that I simply tell you what I hear. I would suggest that as to the details of that, Mr. Soleau or the Treasurer of the Shipping Board can come here and tell you in detail covering the dates. But my understanding is that they were all transferred from each of the local banks which held the deposits absolutely at the same time.

Senator CALDER. As far as you know, though, there are no deposits of any Shipping Board funds in any banks in the District of Columbia?

Mr. WILLIAMS. As far as I know, yes.

Senator CALDER. Are there deposits of any other Government funds in the banks of the District of Columbia?

Mr. WILLIAMS. Oh, yes.

Senator CALDER. So that the only funds withdrawn, as far as you know, were the Shipping Board funds?

Mr. WILLIAMS. So far as I know. Of course, you know there are the District tax funds. They are distributed and withdrawn in installments. They were distributed pro rata among the banks of the District. And of course there are other deposits of Government funds for one purpose or another.

Then the records show that the Shipping Board and the Treasury came to an agreement for the transfer of those funds, or arranged. There is a letter here to the Treasury dated January 30, 1918:

UNITED STATES SHIPPING BOARD,
EMERGENCY FLEET CORPORATION,
DIVISION OF OPERATIONS,
Washington, January 30, 1918.

Mr. GEORGE COOKSEY,
Assistant to the Secretary of the Treasury, Washington, D. C.

MY DEAR MR. COOKSEY: I transmit herewith, statement of bank balance as of dates given thereon. I trust this information is what you desire.

Respectfully,

W. L. SOLEAU,
Comptroller.

This shows the money on deposit to the credit of the Shipping Board, Emergency Fleet Corporation, on that date:

Jan. 28, 1918:

Federal National Bank.....	\$2, 551, 000
Commercial National Bank.....	3, 143, 000
National Metropolitan Bank.....	2, 706, 000
First National Bank of San Francisco.....	707, 000
Chatham-Phoenix National Bank of New York.....	144, 000
Dexter-Horton National Bank of Seattle, Wash.....	43, 000
Webster & Atlas National Bank of Boston, Mass.....	2, 000
Merchants National Bank of Boston, Mass.....	50, 000
Total	9, 300, 000

All of the above banks pay us 2½ per cent interest on balances, with the exception of the Dexter-Horton National Bank of Seattle, which pays 2 per cent, and the Chatham and Phoenix National Bank of New York, which pays us 3 per cent.

I call your attention to this fact, gentlemen, that on that date, just on the eve of the transfer of those deposits, the deposits of the Shipping Board with the Commercial National Bank had amounted to only 16.77 of 1 per cent of its resources. The deposits with the

Metropolitan National Bank amounted to 20.66 per cent of its resources, while the deposits with the Federal National amounted to 32.70 per cent of its resources.

In other words, on that date the Federal National Bank, in proportion to its resources, had about twice as much of Shipping Board funds as the Commercial National Bank, and about 50 per cent more than the Metropolitan.

Senator NEWBERRY. Do you have any recollection as to when you first knew that there was a deposit in the Federal National Bank of Shipping Board funds? It must have been very close to the time of this letter.

Mr. WILLIAMS. I asked Mr. Cooksey, Senator, if he had any recollection of that matter being discussed at all between us—I have no recollection of making any report on it—and his remark to me was, "You certainly made no adverse report, Mr. Williams." He said, "If you made any report, it was to the effect that the bank was in satisfactory condition," which would have justified him in permitting the deposit to remain as it was, as far as I was concerned. But he said, "I have no distinct recollection of it, but I know if there was any statement made one way or the other, it would have been to the effect that the bank was in satisfactory condition." But he said he was very clearly of the opinion that I made no adverse recommendation as to that bank, and I assure you here, as against Mr. Poole's statement of discrimination, that the Federal Bank on the 28th of January had 100 per cent more of deposits in proportion to its resources than the Commercial, approximately.

I have not asked Mr. Cooksey, but I have no doubt if you should like to have him give you his recollection as to whether there was any discussion between us, he would be very glad to come before the committee.

Senator NEWBERRY. I inquired of Mr. Poole as to when you knew about the deposits of the Emergency Fleet Corporation. Apparently you did not know it on December 20.

Mr. WILLIAMS. I do not think I did.

Senator NEWBERRY. And you did not know it on the 5th of January, but you must have known it about the time that they wrote the letter and withdrew the deposits, on the 10th of January.

Mr. WILLIAMS. I do not know that I knew then that they actually had the deposit. I knew that the question of bringing it back into the Treasury was being discussed.

The CHAIRMAN. Were the Washington banks submitted to you for approval as depositories?

Mr. WILLIAMS. Was a list?

The CHAIRMAN. Yes.

Mr. WILLIAMS. Six months before, I think, there was a list of banks—I was requested to pass upon or suggest several banks in different sections of the country, including Washington. That was, I think, in May, 1917, and I think that the banks, if I remember correctly, which were suggested at that time were the District National Bank and the Commercial National Bank.

The CHAIRMAN. That was your suggestion?

Mr. WILLIAMS. It was either my suggestion, or a statement from me, that those banks were in satisfactory condition.

The CHAIRMAN. That was when the list was first submitted to you for your approval?

Mr. WILLIAMS. As I say, the Secretary's office, not the Shipping Board, when they received, as they did occasionally, lists of requests for suggestions, they would send them to my office, and I would sometimes make those suggestions.

The CHAIRMAN. Was the Federal National Bank included?

Mr. WILLIAMS. It was not, nor was any other of the 9 or 10 banks included. I think there are 11 national banks in Washington.

The CHAIRMAN. Was any list submitted to you later?

Mr. WILLIAMS. None except this I refer to here, that I know of.

The CHAIRMAN. I take it the Fleet Corporation had the right to choose any bank it saw fit?

Mr. WILLIAMS. Certainly, as far as I was concerned.

The CHAIRMAN. But it was their custom to submit—

Mr. WILLIAMS (interrupting). I do not know how far they followed the custom.

The CHAIRMAN. They did do it in certain instances?

Mr. WILLIAMS. In certain instances, as I have shown you, as in the case of Kingston, N. Y. But I do not think there was any unfair discrimination against the other nine banks. It would have been manifestly impossible, at least apparently, to deposit the money in all banks.

The CHAIRMAN. Mr. Poole's idea was that he got this deposit against your disapproval.

Mr. WILLIAMS. I have denounced that as incorrect.

The CHAIRMAN. He says on page 174:

He made it plain to me that he had no relations with Mr. Hogan. It was evident that this was a very sore and delicate subject. I proceeded to urge favorable consideration of the proposal to approve the Federal when the list should be sent to him, on the ground that our institution merited it by its strict observance of all laws and regulations from the very beginning of its career—for its well-defined sound policies—its strength, growth, and present condition—but he positively refused because of the fact that Mr. Hogan was on our board.

That statement, I understand you—

Mr. WILLIAMS. I have denounced as a misrepresentation or distortion or incorrect statement of really what transpired between us. I have assured Mr. Poole that he would get full, fair treatment, as every other bank would, but if he drew the conclusion from what I said that I did not think there was any duty or responsibility upon me to extend any special favors to Mr. Hogan, I do not think probably that he strained the case, although he would get full, fair, just, and generous treatment on any and all occasions.

The CHAIRMAN. But you might have given him the idea that he need not expect any special favors from you?

Mr. WILLIAMS. Nothing that I said could have justified Mr. Poole in making the statements with which he charges me in his statement before this committee; and, as I say, that is, I think, proved by subsequent events and the fact that I did not exercise any influence, if I had any, to prevent him from getting a fair share of whatever deposits might be available as shown by the record at the very start.

I want to say right now, as a further evidence that there was no malice or antipathy against Mr. Poole's banks which would work to

his detriment of my own volition, that between 6 and 12 months ago—I think it was in probably October or November last year—I arranged to have his bank designated as a depository for five or six minor railroads, and gave him five or six accounts which he was not expecting, and for which he came over and expressed his deep gratification and appreciation.

The CHAIRMAN. What date was that?

Mr. WILLIAMS. I think it was in November, 1918. There is a concrete illustration as to the probability of Mr. Poole's statement having been founded upon fact. It was manifestly impossible to distribute all railroad accounts in every bank—it can not be done. But I did have the opportunity, as Director of Finance, of placing some of those accounts, and as an evidence of the incorrectness of Mr. Poole's statement, I call your attention to the fact that five or six accounts were placed with Mr. Poole's bank in October or November of last year, and I understand that the balances which they have carried have run from \$40,000 to \$50,000 or \$60,000 a month.

The CHAIRMAN. How about these local taxes? Did you have any supervision over the deposit of those?

Mr. WILLIAMS. Have I impressed that incident of the railroad accounts upon the committee, that there was a matter which I deliberately gave to Mr. Poole's bank? I will say here that I had felt that Mr. Poole seemed to be working pretty hard for the Liberty Loan, and I thought it a little recognition which I was entitled to extend to him.

Senator FLETCHER. That was all after this conversation?

Mr. WILLIAMS. That was approximately a year after the incident when he says I assured him he could never get any consideration from me as long as Mr. Hogan was a member of his board, and when he was before you a few days ago he refrained from mentioning that incident and those five or six accounts, with the balances averaging every month something like \$30,000 to \$60,000.

Senator CALDER. Did he know you had caused this deposit?

Mr. WILLIAMS. He wrote me and thanked me, expressed his deep gratification and appreciation of the consideration which was extended to his bank as manifested by the opening of those accounts. He came to my office some time last year with several members of the Rotary Club, or Rotary Committee, and I said to him, "By the way, I had the pleasure of having several accounts opened with your bank some time ago." He said, "Oh, yes. I wrote you a letter expressing my thanks for it." As a matter of fact, I had not seen the letter, which was a mere acknowledgement which was filed without being shown to me. But he had expressed to me his appreciation for my opening those accounts.

Here are deposits in the Federal National Bank, United States Government deposits, District tax fund deposits, postal savings funds. There are three Government or quasi-Government deposits. The United States deposit in November, 1917, was \$78,201; in December it was \$73,349.21; 1918, January, \$85,806.45; February, \$77,314.05; March, \$76,410.38; April, \$76,553.94; May \$76,343.21; June, \$77,303.19; July, \$78,399.02; August, \$74,481.53; September, \$79,687.61; October, \$78,284.89; November, \$76,081.20; December, \$76,609.51; 1919, January, \$77,898.32; February, \$78,216; March, \$78,039.59; April, \$76,725.37; May, \$80,473.35; June, \$80,231.44.

Senator FLETCHER. What year?

Mr. WILLIAMS. That is from 1917 to June, 1919. Then comes the District tax account. You asked me about that, Senator, a moment ago. In November, 1917, it was \$156,333.33, and then it continues:

December, 1917-----	\$121,333.33	August, 1918-----	\$329,639.00
January, 1918-----	76,733.20	September, 1918-----	216,500.00
February, 1918-----	52,500.00	October, 1918-----	125,709.68
March, 1918-----	35,000.00	November, 1918-----	40,413.33
May, 1918-----	66,346.99	May, 1919-----	43,669.35
June, 1918-----	368,050.00	June, 1919-----	273,125.00
July, 1918-----	385,509.68	July, 1919-----	285,000.00

Here is another Government deposit with which I have no connection whatsoever, the postal savings.

November, 1917-----	\$19,092.00	October, 1918-----	\$23,191.00
December, 1917-----	18,372.00	November, 1918-----	23,932.00
January, 1918-----	19,424.00	December, 1918-----	24,795.00
February, 1918-----	20,231.00	January, 1919-----	67,297.00
March, 1918-----	20,885.00	February, 1919-----	87,893.00
April, 1918-----	20,890.00	March, 1919-----	85,729.00
May, 1918-----	20,897.00	April, 1919-----	101,042.00
June, 1918-----	20,897.00	May, 1919-----	99,712.00
July, 1918-----	20,886.00	June, 1919-----	85,153.00
August, 1918-----	22,412.00	July, 1919-----	85,423.09
September, 1918-----	22,412.00		

There is a list of some of the public and quasi public deposits. Does that answer your question, Senator?

Senator FLETCHER. The only question would be whether that is a fair proportion of the tax money.

The CHAIRMAN. Do you pass on the banks that receive those deposits?

Mr. WILLIAMS. Do I determine the matter?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I do not. The Secretary of the Treasury does that.

The CHAIRMAN. Does he consult with you?

Mr. WILLIAMS. I think the items he asks for generally are the individual deposits of the banks, total resources, probably, and several other items.

The CHAIRMAN. You would not have your attention brought to it, unless he made some special request for special information?

Mr. WILLIAMS. It has been customary a great many years for the Secretary to get from the comptroller's office, in the spring of the year, a memorandum or statement regarding the condition of the national banks of the District, with a view to depositing in them such proportion of the District funds as public interest seems to require. That has been customary for a great many years. I think it was in 1914 when that inquiry came to my office for general information in regard to the national banks of the District. I called the attention of the Secretary of the Treasury to the fact at that time that one of the banks of the District was carrying a very much smaller proportion of its assets in commercial loans than the other 9 banks or 10 banks, or whatever it was, and the Secretary of the Treasury in allotting the funds that year, and the several years thereafter, eliminated one of those banks from the list, and his reasons

for doing so were set forth at great length in the affidavit of the Secretary of the Treasury in the Riggs case.

The CHAIRMAN. That was the Riggs Bank?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. So I take it that neither the Fleet Corporation funds nor the tax funds came directly under your supervision as to the deposits?

Mr. WILLIAMS. They did not.

The CHAIRMAN. That is, that they had full power to put them wherever they chose?

Mr. WILLIAMS. And, as I have stated, Mr. Hogan's allegation or charge to the effect that they must have been deposited where I said was unfounded.

I call your attention to the fact that in the winter of 1918, as to the Federal National Bank, so far from having been discriminated against in the matter of deposits. I think we will find that from a third to a half of all of its deposits were Government or quasi Government deposits, more than any other bank in the District, by far, to the best of my knowledge and belief.

Senator GRONNA. I have been reading Mr. Poole's testimony, Mr. Williams, and I find no disagreement between you and him so far as the deposits are concerned. There is just this difference, that he uses the word "Designated," he was designated as depository, but he was not "approved" by your office. There is the only difference. It seems that these corporations had the authority to designate their own depositories. That seems to be the only difference between you and Mr. Poole.

Mr. WILLIAMS. They did not have to be approved by my office at any time. And, as I have shown, as far as the record goes, the first communication from the Shipping Board to the Secretary of the Treasury—I do not know how long thereafter it came to my office—was on January 5. They asked for the approval of the Federal National. In the letter of the 10th they asked for the approval, and January 11, the day that was received, it appears the Secretary's office wrote to the Shipping Board with a view to returning to the Federal Treasury all Shipping Board funds.

The CHAIRMAN. You really did not know what the deposits were, yourself?

Mr. WILLIAMS. I did not. And, as I state, I asked Mr. Cooksey if he had any recollection of the matters being discussed with us, and he said that if there was any discussion, "Your statement must have been to the effect that the Federal National would be satisfactory, because we made no change." In other words, if I had reported to him that the Federal National Bank was in a weak condition or congested condition, the presumption is that some other bank would probably have been suggested in lieu of it. But those suggestions related to the solvency of the banks.

In January, 1918, the total deposits in the Federal National Bank were about six and a half million, and the public deposits of various sorts about three millions, so, instead of being discriminated against, if there is any charge of discrimination, it should be in favor of that bank. There has been no symptom of discrimination against it.

Attached to these letters of January 5 and 10, in regard to the approval of the Federal National Bank, there is a memorandum from Mr. Cooksey dated January 21:

May I ask what you would suggest in this connection?

It appears to have been received there, and 10 days later was sent over to my office for any suggestions.

The CHAIRMAN. What is the date of that?

Mr. WILLIAMS. January 21, 1918, 10 days after Secretary Leffingwell had written with a view to the transfer of the whole business back to the Treasury. To which my office has a memorandum:

To Mr. COOKSEY:

I understand that the comptroller talked with you on 'phone about this matter, and that no further action from the comptroller is expected.

January 29, 1918, the arrangements had been made and practically completed or in process for the transfer of all the Shipping Board funds to the Treasury. Therefore the matter was disposed of in that way.

Answers unnecessary, because funds of the corporation have been transferred to the Treasury.

If there is any link that is not complete, I would like to have it suggested, to show that there has been absolutely no ground whatsoever for the charge of discrimination.

I want to make this statement, and suggest that it might be well, Mr. Chairman and gentlemen, to give the Chatham-Phoenix Bank the opportunity for denying there was any justification whatsoever for the statements made by Mr. Hogan to the effect that any such proposition had ever been made by or on behalf of that bank to get Shipping Board funds indirectly in the manner suggested by these two men.

I do not think I have discussed with you the statement fully which Mr. Poole made on his visit to my office of December 20, when he made that mysterious suggestion, that he had been told by someone that if he would deposit funds with the Chatham-Phoenix Bank in New York he could get a large amount of Shipping Board funds. When he made that statement to me I regarded it as preposterous, and, I might also say, as almost infamous. I denounced the proposition instantly when he made it, that there could be any ground or any justification for any such statement by anyone. I thought it a most improbable story, and if true, exceedingly culpable, and I said to him:

All right. If you think it is true, go and try it.

His statement to that effect is correct. I said:

Try it, and see if you can get any funds that way.

I told him to do that because I regarded the statement as a malicious fabrication by some enemy of the administration who was trying to involve those gentlemen, against whom they were hitting, and who were men absolutely above reproach, and who would not countenance for one second any suggestion or intimation of any such deal or transaction as that. I regarded it as an insult to the gentleman who was connected with the Chatham-Phoenix Bank, as well as those who were connected with the Shipping Board, and I did not believe there was an iota of justification or foundation for the

story. But I said, "If you think there is anything in it, go and try it and see if you can get any Shipping Board fund deposit that way." And if he tells you the truth, he will tell you that I was indignant at the suggestion that he should undertake to represent to me that any one, any responsible person, should have made to him any such suggestion. He did not give the name of the person who made it. I do not recall that I asked him the name. I felt no interest in it. But I did denounce it as obviously false.

Senator FLETCHER. Who were the officers of the Chatham-Phoenix?

Mr. WILLIAMS. Mr. Kauffman is the president of it. Mr. Rolfe Bolling at that time was one of its vice presidents, a man of the most unblemished reputation. There is no man in the city who stands higher for integrity, or who would view with more disdain and abhorrence a suggestion of anything of that sort. I will say the same as to his brother who was connected at that time with the financial department of the Shipping Board, and I assume that they were trying to slander one or the other of those gentlemen by some such frame-up as that, which I denounced in unmeasured language to Mr. Poole as soon as he mentioned it to me.

I may also show, as a further indication of the fact that I was not en rapport with the operations of the Shipping Board; I did not know that the Shipping Board had any account with him. I was assuming that he was complaining or whining that he ought to have some account, but it seems that at that very time he had five or six hundred thousand dollars there. My statement to him, "Go and try it," was based upon the theory that he had no account.

Also, I want to denounce his statement that I undertook to tell him about the Metropolitan Bank's being a depository. I think that was a statement which, as far as I know, was made without any justification at all. I have no recollection whatsoever of alluding to the Metropolitan National Bank as being one of the depositories.

As to the Chatham-Phoenix National Bank, I think it quite possible that I may have mentioned to him that I was under the impression that the Chatham-Phoenix might have been one of the depositories at that time of the Shipping Board as a reason for there being still less justification for that story that they were trying to get indirect deposits if they had direct deposits.

I think that the Phoenix National Bank probably had been passed upon some months before as being a bank in good condition. But, as I say, I do not recall vividly whether or not there was any mention made of the Chatham-Phoenix National Bank being a depository, but I will say that it would have been a very natural thing for me to have said, if it had occurred to me at that time, that the Chatham-Phoenix was a depository, or had been approved, and to say, "Why should the Chatham-Phoenix try to get deposits in an indirect way, if they are already a depository"; in other words, as indicating that the frame-up or the story which he had brought to me was absurd from any point of view that you would view it.

I respectfully submit, Mr. Chairman, and suggest to you, if it has not been cleared up to the satisfaction of your committee, that some one be summoned who can give you the truth about this allegation of Mr. Poole in regard to the statement that he was requested not to say anything about the story that he could get Shipping Board deposits by depositing with the Chatham-Phoenix Bank.

Mr. Ramsey, who appeared before you, has told you that as far as he was concerned the statement was untrue and unwarranted; but I do not understand that anyone has appeared here thus far to denounce or to pass upon the correctness of Mr. Poole's statement to the effect that when a large deposit was made with him two or three weeks after or some time after his statement to me about the method of getting Shipping Board deposits he had been asked not to say anything about the Chatham-Phoenix account. The man that carried that deposit to Mr. Poole's bank from the Shipping Board is entitled to say whether Mr. Poole told the truth or whether he falsified before this committee in saying that he was asked not to say anything about that story.

Personally, I think it is an infamous slander, and I think that if you bring the men who are competent to pass upon it they will tell you so; but I was not present, and knew nothing about it. I want to make it very clear that I knew nothing about the Shipping Board's account with the Federal National Bank at any time except such general information as may have been in my files from the formal reports of that bank as to which I will mention that my attention had not been directed.

Mr. Poole says that the first business was through Mr. Soleau, William L. Soleau, who, I suppose, was the treasurer or disbursing officer of the Shipping Board. Perhaps he can give you some information on that subject.

I think it is most unfortunate that the names of these absolutely trustworthy and responsible men should be dragged in an unpleasant way into this testimony without any evidence of any sort whatsoever to corroborate the insinuations which are made.

Mr. Poole states on page 9 of the typewritten copy of the hearings of Monday, July 14, that Mr. Ramsey urged a generous deposit with the positive assurance that "if we would place at least \$100,000 there we would receive in a few days not less than \$500,000 of the Emergency Fleet Corporation's funds." At that very time the bank had about \$500,000, as I understand it, or maybe more; anyhow, they had a large deposit of the Shipping Board's.

He says:

I did not tell Ramsey we already had an account. I did tell him I would think it over.

Mr. Ramsey has made his statement to you, and I think they should be entitled to great weight as offsetting the improbable and unfair statements of Mr. Poole in that connection. I do think that the committee should be informed as to whether there was any ground whatsoever for the suggestion which he claims was made when the large deposit was made with him two or three weeks after his informing me of the suggestion which had reached him, "Please don't say anything about the Chatham-Phoenix." It was evidently without the slightest justification.

Gentlemen, this is a very hot evening, and I do not want to tax your patience any more unless there are some points in the testimony that I have not been able to close up.

The CHAIRMAN. How much time do you think you will require to close your statement?

Mr. WILLIAMS. It depends on how many witnesses you have still to hear.

The CHAIRMAN. Up to date, have you finished with your reply?

Mr. WILLIAMS. I have not answered Mr. Hogan as yet, except as to these two particular questions. What other witnesses am I expected to reply to? I hoped to have Mr. McFadden to-day.

The CHAIRMAN. Do you want to reply to Mr. Hogan now? If you do, you may as well proceed.

Mr. WILLIAMS. I would prefer to take that up anew at the start. These two incidents I thought we might get out of the way this afternoon. I have referred to the Shipping Board matter and the Red Cross matter.

The CHAIRMAN. We want to finish this hearing some time, Mr. Williams, and I do not know—

Mr. WILLIAMS. What other witnesses would you like me to answer?

The CHAIRMAN. I do not know of any other witnesses.

Mr. WILLIAMS. Will you get Mr. Jones?

The CHAIRMAN. Mr. Jones was here this morning; he is not here now.

Senator GRONNA. I understand he is right here [indicating clerk's office].

The CHAIRMAN. How much more time do you think you will need in order to finish, Mr. Williams?

Mr. WILLIAMS. You mean, if there are no more witnesses?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I think in two or three hours I can get through.

The CHAIRMAN. You want two or three hours more?

Mr. WILLIAMS. Perhaps less.

The CHAIRMAN. Mr. Jones, do you want to go on this afternoon?

Mr. JONES. I would rather not until I get the testimony taken subsequently to my former statement.

The CHAIRMAN. Have you seen your statement?

Mr. JONES. No, sir; I have not.

The CHAIRMAN. To-morrow we have other matters before the committee.

Mr. WILLIAMS. Mr. Chairman, may I inquire whether—

The CHAIRMAN. I can not promise you that there will be no more witnesses, but if there are you will have ample opportunity to reply.

Mr. WILLIAMS. I would like especially to have the opportunity of having Representative McFadden come before the committee.

The CHAIRMAN. Well, all I can say is that Mr. McFadden has been notified; he was notified this morning.

The committee will adjourn as to this matter until Wednesday morning at 10 o'clock.

(Whereupon, at 3.45 o'clock p. m., the hearing in this matter was adjourned until Wednesday, July 23, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY, UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 7

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

THURSDAY, JULY 24, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Gronna, Newberry, Keyes, and Fletcher.

The CHAIRMAN. The committee will be in order. Proceed, Mr. Jones.

STATEMENT OF MR. E. A. JONES, OF UNIONTOWN, PA.—Resumed.

Mr. JONES. Mr. Chairman and gentlemen of the committee, this statement, of course, is supplementary to my former statement, and, as I explained at that time, I did not have the records of the United States courts with which to establish certain facts that I then mentioned in connection with the sale of the bank building and the administration of this trust stock in the hands of Comptroller Williams, which now I want to submit, together with such explanation as may be necessary in order that the record may be intelligible.

In reply to the suggestion of members of the committee that I submit some data with reference to the value of the building, I wish to say that the bank building property is an 11-story building, 145 feet 3 inches on Main Street, 153 feet 5 inches on Peters Street, including the opera house, assessed now at \$300 000 and sold February 23, 1918, for \$700,000.

The Frock Building, another building fronting on the same street, one end a two-story building, 78.31 feet on Main Street, assessed at \$37,000, sold June 6, 1919, at \$115,000.

Clagett property, two story, 36 feet front on Main Street, assessed at \$20,000, sold June 7, 1919, at \$61,000. The Clagett property, two stories, sold for \$1,600 per front foot; the bank building, 11 stories, sold for about \$4,600 per front foot. The bank building being more than five times as high ought to be worth five times as much, or \$8,000 a front foot, almost twice what it sold for. I am told that James I. Feather, the purchaser, had that building appraised by a competent engineer, but I did not get his name because I am informed that this committee does not have authority to subpoena witnesses—I mean, at least, it is not the policy to subpoena witnesses.

The CHAIRMAN. That depends entirely upon circumstances.

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Mr. JONES. That may be. My point with reference to the building is that by selling it when it was sold, it or its value, whether \$700,000 or \$1,800,000, was unnecessarily lost to these stockholders. It is not a question, gentlemen, as to the actual value of the building. The point is that the building was taken from the stockholders by the comptroller while the comptroller had collateral that he ought to have first disposed of, and saved the bank building; that is, the proceeds of the bank building only could go toward the payment of deposits, but the proceeds of this collateral stock were to be applied not only to the payment of depositors but to other purposes, and when they sold the building to pay the depositors then the comptroller has in his hands this stock to apply the proceeds to other purposes outside that of the payment of the debts of the bank.

Before I go into the records I want to submit, in connection with my former statement, some matters with reference to the testimony of Mr. Williams, Mr. Sherrill Smith, and Mr. Strawn.

Mr. Sherrill Smith and John H. Strawn stated that foreigners were deceived by bank officials, induced to loan money to private individuals when they thought they were putting their money in bank on time deposit. That may be true. I do not for one moment defend or justify such banking methods. But let us see. There were 34 suits brought in our local court on such claims, aggregating \$43,934.40. In all of these cases Strawn filed affidavits of defense, and swore as follows:

3. He believes there is a just and legal defense to the claim of the plaintiffs, and the facts on which he bases that belief are that the books of the bank show no indebtedness to the plaintiffs, and that he has been advised and expects to be able to prove that no fraud, deception, or misrepresentation was practiced upon the plaintiffs, or either of them, and that the said bank is not liable on account of the transaction of which complaint is made.

Mr. Strawn swears in 34 affidavits of defense that he was advised that there were no misrepresentations and no deception. Two of those cases have been tried in court, and verdicts rendered in favor of the bank. But, gentlemen, what has that to do with the administration of the assets of this bank by Mr. Williams?

Mr. Strawn further testifies that there were \$400,000 of these claims—that is, where foreigners were alleged to have been deceived; and yet Mr. Buchanan told me in Mr. Strawn's presence in Mr. Williams's office, on July 11, 1919, that of this \$400,000 the foreigners had sued the makers of the notes for \$200,000; and that eliminated that much of the \$400,000 from any consideration. And yet Mr. Strawn tells you that there were \$400,000 involved in that feature of the settlement of this bank. There were suits brought for but \$43,000 of this \$400,000, as Mr. Strawn claims.

Now, gentlemen, please do not put this bank in the class of insolvent banks, resulting from defalcations—that is, where the bank was looted by its officials. Such is not the case. Mr. Thompson overinvested in coal lands, had his friends do the same, and they in turn borrowed too much money from this bank, and thus exhausted its cash, could not replenish it, and the bank was closed.

One witness says there were overdrafts. Maybe we can account for that. Before blaming Mr. Thompson too much, I suggest that you ask Mr. Williams three questions.

First, "Did you, Mr. Williams, or your department, write a letter or letters to banks advising, or suggesting, before that bank was closed, that they unload Thompson paper?"

I have been told a banker came to Washington before that bank was closed with one of those letters to show it to Mr. Williams if he denied it. One official of that bank told me just after the bank was closed, when I asked him if he had seen any of those letters, that he had not seen the letter, but that Thompson's paper was presented to the bank for payment "in a flood," as he expressed it.

The second question I want you to ask Mr. Williams is, "Mr. Williams, did you advise your bank examiners to intimate, suggest, or direct bankers over the country to unload Thompson's paper?"

A man who paid a \$20,000 note of Thompson's in a bank told me within the last two weeks that he had a friend down South in the banking business, and that the friend told him that the examiner who visited his bank so instructed that bank.

Third, "Mr. Williams, if you did either of those two things—write a letter or give your examiners such instructions—when did you do it?"

I submit, gentlemen, that until Mr. Williams answers those three questions there ought to be a serious doubt in your minds as to the propriety of confirming his appointment.

Gentlemen of the committee, that may explain why Thompson borrowed so much money from this bank; why he had his friends borrow so much money from this bank; why he borrowed money from every man, woman, and child in our community from whom he could borrow money; and why he paid a bonus to the amount of 5, 10, 20, or 30 per cent. If Mr. Williams deliberately disturbed Mr. Thompson's credit and thus drained the cash out of that bank and out of our community, is there a man on this committee that would recommend his confirmation? E. S. Hackney's name was mentioned as a man who withdrew his deposit of \$250,000. Mr. Hackney told me, just after the bank was closed, that he put that \$250,000 in cash in the bank to help the bank; that Mr. Williams sent for him and made him take it out as a deposit. Would it not be interesting and pertinent, as bearing upon Williams's confirmation, to know how long he permitted the innocent public to deposit in that bank after he made Mr. Hackney withdraw what Williams called an unlawful deposit?

Strawn says that Mr. Thompson called the public meeting held in the courthouse on February 22, 1918, to remonstrate against the sale of the bank building. That is not true. I called that meeting myself and paid out of my own pocket for the telegram to Mr. Williams by which I conveyed to Mr. Williams the substance of the remonstrance that was passed at that meeting.

Now, bear with me a moment further and I will remove another bit of rubbish from this record. As I said before, I attended the sessions of your committee on the 8th and 9th of July, and when I got home to Uniontown on the morning of the 10th I found this letter, which I now offer in evidence.

Senator FLETCHER. Before you pass from that may I ask if you were then Mr. Thompson's counsel?

Mr. JONES. No, sir; I have never been Mr. Thompson's counsel.

Senator FLETCHER. Whom do you represent?

Mr. JONES. I represent the independent stockholders of this bank.

Senator FLETCHER. Who are they?

Mr. JONES. You mean by name?

Senator FLETCHER. Give us an idea of the amount of stock they owned.

Mr. JONES. Mr. Thompson owned, at the time he went into bankruptcy, 614 shares of stock; Mr. Hackney owned 175 shares; and, then, all the remaining stockholders, probably some 18 or 20 persons interested, owned the balance in small quantities of from 2 to 10 or 20 shares.

Senator FLETCHER. How much was the balance?

Mr. JONES. It was incorporated at \$100,000. There were 1,000 shares. In the petition I presented to Pittsburgh to intervene in the equity case I represented all but two of the independent stockholders, and, as I said before, that petition was presented at the suggestion of the trustees of Mr. Thompson in bankruptcy—that is, I mean they cooperated with it—so that at the time I went to Pittsburgh, to present that petition to intervene, I had authority from at least 800 of the 1,000 shares of stock.

Senator FLETCHER. You represented those people when you appeared down here in Washington?

Mr. JONES. Certainly. I have never been discharged, as far as I know.

Senator FLETCHER. You may have represented somebody else besides them.

Mr. JONES. I understand. But I do not.

Senator FLETCHER. You represented then, and represent now, these independent stockholders?

Mr. JONES. That is exactly whom I represent.

Senator FLETCHER. Will you name them and the number of shares they own?

Mr. JONES. I had authority from Judge Umbel to represent E. S. Hackney. Mr. Hackney was at that time in the South. I had authority by power of attorney regularly signed, formally drawn up. Frank Semans signed that power of attorney.

Senator FLETCHER. How many shares did each one have?

Mr. JONES. We will get that from the record in a minute. I might say to the committee that when I visited Mr. Williams down in his office on July 11 to get some information I wanted to get from him, he consumed more time, Senator Fletcher, in his effort to get me to say whom I represented, than was used in the remainder of the interview. And if he sent up a suggestion to you to ask me that question, I explained this—

Senator FLETCHER (interrupting). I asked the question upon my own responsibility, without any suggestion.

Mr. JONES. I want to say that Mr. Williams consumed as much time in trying to get me to tell him whom I represented at that interview as he did in telling me the information I was seeking as their attorney.

Senator FLETCHER. Of course, I know nothing about the interview and nothing about the suggestion.

Mr. JONES. I understand.

Senator FLETCHER. It just occurred to me that I have been assuming that you represented Thompson. I thought you did.

Mr. JONES. I never represented Thompson.

Senator FLETCHER. If you do not represent Thompson, then I wanted to know whom you did represent, that is all.

Mr. JONES. I represented E. S. Hackney by authority of Judge Umbel, his attorney. Mr. Hackney was then spending the winter in the South. Frank M. Semans signed that power of attorney, J. D. Rudy signed it, J. D. Hess signed it, the executors of the estate of J. M. Husted signed it, Della Mertz, represented by the executor of her father's will, signed it.

• Senator FLETCHER. You do not have the number of shares opposite each?

Mr. JONES. Yes, I do.

Senator FLETCHER. Just state that.

Mr. JONES. E. S. Hackney, 176 shares; F. M. Semans, 65 shares; J. D. Rudy, 11 shares; J. D. Hess, 11 shares; Husted estate, 20 shares; Mertz estate, 20 shares; Monroe Hopwood—

I do not recall whether he signed that or not. He has 13 shares.

Minnie L. Redburn, 10 shares; William Hunt estate, 10 shares.

And then eight members of the Jeffries family, 2 shares each. And in addition to that, as I said, the trustees of Mr. Thompson in bankruptcy were cooperating with me, and they owned 614 shares.

It will be observed that Mr. Buchanan's letter, which I submit, is dated July 8, which is the first day I appeared before the committee, and that the envelope shows it was mailed, as stamped, July 9, at 12 p. m.

(The letter referred to is copied in the record as follows:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, July 8, 1919.

Mr. A. E. JONES,
Attorney, Uniontown, Pa.

DEAR SIR: Your letter addressed to the Comptroller of the Currency for my attention was forwarded to me and on account of a washout on the N. & W. Ry. was delayed in reaching me before I left my home in Virginia, and it has just been received. You are advised that the shareholders' bond has been fixed at \$150,000 and the papers are being prepared for the election of shareholders' agent, to take place on August 15, 30 days' notice being required.

Very truly,

B. D. BUCHANAN.

Treasury Department.
Office of
Comptroller of the Currency.
Return after five days.

[Envelope.]

(Washington,
July 9, 12 p. m.
D. C.) (Stamp.)

Mr. A. E. JONES,
Attorney at Law,
Uniontown,
Pa.

Mr. JONES. Immediately upon receipt of that letter I wired Mr. Williams for an interview by engagement on the following day. I got that letter on the 10th. I had been down here on the 8th and 9th, and sat in this room as a spectator, simply looking after the interests of my clients, and, as I said, when I arrived home I found that letter on my desk at 9.30 of the 10th. I immediately wired the comptroller, and received no reply from the comptroller, but I took the train at 12 o'clock that night for Washington. I arrived in Washington the following morning, and went to Mr. Buchanan's office at 9 o'clock, and asked him if I might see the comptroller.

The CHAIRMAN. What did you wire the comptroller?

Mr. JONES. "Buchanan letter received. May I have an interview with you and Mr. Buchanan to-morrow in Washington?" I got no reply to that, but I came to Washington anyway.

The CHAIRMAN. You had no reply?

Mr. JONES. I had no reply.

Senator FLETCHER. Let me understand you. You were then representing these shareholders you have named?

Mr. JONES. Absolutely.

Senator FLETCHER. And you say you still represent them? You still have authority to represent them?

Mr. JONES. I do, so far as I have not been discharged. There is not a man of the bunch of them who has said to me, "Jones, you are not in our employ." They signed that power of attorney.

Senator FLETCHER. What was the date of that?

Mr. JONES. It was either the week before the bank building was sold, or the week afterwards. I presented that petition to the United States court to intervene in the equity case immediately after the power of attorney was signed, and that petition is already in evidence.

The CHAIRMAN. Have you any correspondence with your clients?

Mr. JONES. To show my authority?

The CHAIRMAN. Recently. Have you discussed this matter with any of them?

Mr. JONES. Certainly I have.

The CHAIRMAN. By correspondence?

Mr. JONES. Certainly I have. Mr. Hess was in my office the other day. He told me he had to lift Mr. Thompson's note of \$20,000 in the bank, where the bank had told him that Mr. Strawn's examiner had told the bank to unload Thompson's paper. He is one of these stockholders in this bank, and he has Thompson's note for \$20,000 to-day that he had to pay.

Senator FLETCHER. You say that telegram was not answered?

Mr. JONES. When I got back home Sunday morning, the 12th, I received an answer.

The CHAIRMAN. That is the question I asked you, if you had received any answer.

Mr. JONES. I beg your pardon. When I arrived home the next morning, Sunday morning of the 12th, there was a telegram on my desk indicating, as stated on the telegram, that it had been received in Uniontown at 10.40 a. m. on Saturday the 11th, and at that time I was in Washington.

Gentlemen, one other misapprehension probably is in the minds of some of you, with reference to the election of this liquidating agent, and the holding of this shareholders' committee meeting. In the last eight months I have not been attempting to have that meeting held because conditions down there were not such that we wanted it held, and for this reason, that this 614 shares of Thompson's stock is in the Farmers' Deposit Bank in Pittsburgh, Thompson is in bankruptcy, and there is some question as to who may vote it. Mr. Given, the president of that bank, died about a week before I came to Washington on July 11. He had charge of this Thompson affair, and up to that time we knew Mr. Given's position in the matter, but to-day we do not know what the position of the president of the bank may be, and that is why I said to Mr. Buchanan on July 11 that we did not

want the meeting held now. And, in addition to that, there is a proceeding in the United States Bankruptcy Court to sell the Thompson estate for \$18,000,000, and the petition for the sale of that property in bulk is now before the court for confirmation, and we do not know who, under that agreement, owns this 614 shares. That would be sufficient reason, if known to the comptroller, to prompt him to postpone this meeting of the shareholders for a week or two until that sale is confirmed or not confirmed.

Senator FLETCHER. You mean you have an offer to pay \$18,000,000 for his assets, and you are asking the court to allow the sale to be made?

Mr. JONES. Yes, sir; and there is \$500,000 on deposit in Pittsburgh to guarantee the carrying out of that contract.

Senator FLETCHER. How much is the entire indebtedness?

Mr. JONES. His entire indebtedness is probably \$35,000,000. Of this \$18,000,000 it was provided in the contract that \$5,500,000 goes to the common creditors of Mr. Thompson. I do not like to take so much time, gentlemen of the committee, in reference to this interview down in Mr. Williams's office, but I do want to say just this, when I went in, Mr. Williams said to me, "Mr. Jones, what is your proposition?" After he had spent 10 or 15 minutes trying to find out whom I represented I said, "There are four propositions. First, the basis of fixing the bond of the agent." That I wanted to talk over with him. That was explained by Mr. Buchanan to my satisfaction.

Second, "Why was the bank building sold when it was?" We discussed that for some time with Mr. Williams, and there was no satisfactory explanation.

Third, "What was the agreement with Mr. Thompson concerning those 10,000 shares of stock now in your hands?"

Let me say, gentlemen of the committee, right here, that this has been the crux of this whole matter, as the records from the United States court will show after I submit them to you, with such comments as I shall make.

The comptroller, Mr. Williams, got these 10,000 shares of stock under a specific agreement with Mr. Thompson.

The CHAIRMAN. What stock?

Mr. JONES. The 10,000 shares of coal stock that were hypothecated with Mr. Williams by Mr. Thompson. There was a specific agreement, and I have offered some of the letters to show what that agreement was. If those 10,000 shares of stock had been sold or redeemed by Mr. Thompson before that bank building was sold, and the proceeds of that stock applied to the payment of Mr. Thompson's indebtedness to the bank, as was agreed between Williams and Thompson, there would have been no necessity to rob these stockholders of this bank building. That is the proposition. And Mr. Williams and Mr. Strawn, as I will show by the letters and the records, have disputed with Mr. Thompson all the time as to what that agreement was, and I walked into Mr. Williams's office like a gentleman on Saturday, July 11, 1919, at 1 o'clock, the time suggested by Mr. Buchanan, and I asked him what that agreement was, representing these independent stockholders. They want to know and they are entitled to know, and Mr. Williams and Mr.

Thompson made the agreement. Mr. Williams knows what the agreement is, and he absolutely refused to tell me in his office.

And what did he say when I asked him what that agreement was? He said, "That is a question for the courts." I said to him, "No, Mr. Williams, it is not a question for the courts. It is question of fact, and you know what the agreement is and Mr. Thompson knows what the agreement is. Mr. Thompson has said what it is. Now, what do you say it is?"

He said, "I will leave it to my counsel. There is Mr. Buchanan. He is my counsel."

I turned to Mr. Buchanan and I said to him, "Mr. Buchanan, what do you understand the agreement between Mr. Williams and Mr. Thompson to be with reference to its guaranteeing or securing to the bank Thompson's direct and indirect indebtedness?"

Mr. Buchanan told me, in the presence of Mr. Williams and Mr. Strawn, that he understood that that agreement secured to the bank both Mr. Thompson's direct and indirect indebtedness. Then I turned to Mr. Williams and I said, "Mr. Williams, will you give me a letter to that effect?"

He said, "No. I will do what my counsel tells me to do."

Then I said to him, "Well, Mr. Williams, if you will not give me a letter to that effect, I will be obliged to go before this senatorial committee to question your right"—I meant to say "to question your right to confirmation." But when I mentioned the word "committee," he got excited and went up in the air, so that that ended the conference as far as accomplishing anything was concerned. I asked him the simple question "What was the contract between you and Mr. Thompson?" Do you know that that equity case that he started to sell that stock is now pending in the Circuit Court of Appeals of the United States?

Senator FLETCHER. Was the agreement in writing?

Mr. JONES. No, it was not in writing. It was oral, except as the correspondence shows it. And I will read you some correspondence in a few minutes.

Senator FLETCHER. Is it set up in the equity proceeding?

Mr. JONES. No. I will explain that, Senator, just as soon as I get to it.

Senator FLETCHER. Before you pass from that Thompson matter, how much do you estimate Thompson's unsecured creditors will get?

Mr. JONES. They estimate that at anywhere from 10 to 15 or 20 or 30 or 40 per cent. You see, the situation is this: Mr. Thompson had many associates with him in these coal investments, and there are many claims in which suits were brought that are duplications, and it is so complicated that there is absolutely no satisfactory basis on which you can arrive at a calculation—that is, no data from which you can determine.

My clients are vitally interested as to what that agreement is, because it means to them possibly \$600,000, maybe \$800,000; that is, to the stockholders and some local creditors of Mr. Thompson, and if Mr. Williams is going to continue the same tactics as comptroller, should he be confirmed, with reference to the claims of my clients, then we are going to oppose his confirmation.

Senator FLETCHER. What do you estimate the value of those coal shares to be?

Mr. JONES. They were agreed to be redeemed, between Mr. Williams and Mr. Thompson, at \$750,000. The par value is \$1,000,000, and the United States court record that I offered in evidence shows that these stocks were appraised at \$1,700,000.

Senator FLETCHER. What is the amount of Thompson's unsecured debts?

Mr. JONES. About \$12,000,000, estimated.

The best evidence, gentlemen, to me, that Mr. Williams does not intend to be fair and honest with these stockholders that I represent, of recent date, at least, is that he would not answer me when I asked him a plain, practical question as to what the contract between him and Mr. Thompson was. He would not answer me. My clients are entitled to know; and if he is going to be confirmed as comptroller and assume the same attitude toward them that he has, as I said a moment ago, other interests to the extent of six to eight hundred thousand dollars are involved—

Senator NEWBERRY. I understand that his counsel did answer? .

Mr. JONES. His counsel told me—

Senator NEWBERRY. Were you not satisfied with what his counsel said?

Mr. JONES. No; I was not. How could I be, when he refused to give me a letter? And I will show you in just a minute, Senator, what he said about it. His counsel in his presence told him that he understood that this stock was put up to secure both Mr. Thompson's direct and indirect indebtedness, and then he would not answer me, and I will show you in a minute—

Senator NEWBERRY. Why should he answer you if he was there represented by counsel? You were counsel representing your clients. Why should he answer you?

Mr. JONES. Simply because he ought to have said, "Now, Mr. Jones"—

Senator NEWBERRY. It is a personal opinion, what you would have liked to have had him answer.

Mr. JONES. No; it was not personal.

Senator NEWBERRY. According to your legal experience, do you not confer with counsel and accept their statements?

Mr. JONES. In view of what Mr. Williams had done before, and in view of what he had said, I was not satisfied to let it rest in that way, and I simply wanted a letter from him stating what he knew the contract was. If that was an unreasonable request—

Senator FLETCHER. What you really wanted was not so much his statement, but a letter?

Mr. JONES. I wanted a letter. I simply wanted it in black and white what I understood that contract to be; and I will show you in a few minutes why I thought it was necessary.

To show my fairness, gentlemen, in seeking that interview on July 11, 1919, and to show my fairness now if Mr. Williams will state in your presence that he understood that contract with Mr. Thompson to secure Mr. Thompson's direct and indirect indebtedness to this bank, I am done. That is all I want. He can be Comptroller of the United States if he wants to be, but he can not be without objection from me, representing these stockholders, until he makes that declaration.

The CHAIRMAN. Is it necessary for you to have it in writing?

Mr. JONES. No, sir; I do not want it in writing, if he will state it in front of the stenographer.

The CHAIRMAN. Then it would be in writing.

Mr. JONES. I do not care whether it is in writing or not. I will agree that the stenographer need not take it down.

I pause, Mr. Williams, for you to make reply.

(No response.)

Mr. JONES. Now, gentlemen, that brings us—Mr. Williams having made no reply to that proposition—to the facts in this case.

I trust that you gentlemen are all lawyers, because if you are you will better understand the evidence that I am going to submit as to Mr. Williams's unfairness with reference to this stock and with reference to Mr. Williams's purposes in all that he has done in connection with the agreement that he entered into with Mr. Thompson.

All this has bearing upon two propositions, that there was no necessity to sell the bank building and that Mr. Williams has some reason, apparently—must have—why he will not say, why he did not say to us, why he did not say to his own receiver, as I will show in a letter in a minute, why he did not say to his own receiver what the contract was.

The bank building was sold February 23, 1918. The proceedings on the sale of that bank building were started in the United States Court 177, May term, 1918. The suit to sell these collateral stocks was started by a bill in equity at No. 192 on February 12, 1918. The bank building was sold on February 23. The suit to sell the stock was begun on February 15, but the legal proceeding to sell the bank was begun the previous November.

Senator FLETCHER. Did you appear in that proceeding?

Mr. JONES. I did not; not until on the morning of Saturday, February 23. I was not employed by these stockholders until during the week of February 23, that is, the week ending February 23. That is the day the bank building was sold. I called that public meeting in Uniontown on the evening of February 22.

Senator NEWBERRY. Mr. Jones, do you claim that Mr. Williams had any personal interest or motive in his actions?

Mr. JONES. I do.

Senator NEWBERRY. Aside from his official position as comptroller?

Mr. JONES. I do; and I think I will prove it to you with these records. I am, gentlemen, submitting a letter of Mr. McCombs. He was national Democratic chairman. He was a member of the law firm of McCombs, Ryan & Gordon, and he wrote a letter to the comptroller on October 17, 1914, which is four months before the bank was sold, as follows:

OCTOBER 17, 1914.

HON. JOHN SKELTON WILLIAMS,

Treasury Department, Washington, D. C.

MY DEAR MR. WILLIAMS: Mr. J. V. Thompson of the Uniontown National Bank has arranged the certificates of stock covering coal lands, which at your request he promised to deposit with your department. These certificates, Mr. Thompson informs me, cover 10,000 acres of unencumbered coal lands. A part of the lands are owned by the Wetzel Coal & Coke Co., in Washington County, W. Va., and the balance by the Liberty Coal Co., whose lands are in Marshall County and Wetzel County, W. Va. Mr. Ryan advises me that he arranged with you as soon as these certificates were in proper form for deposit, he was

to request of you a statement of the manner in which you wanted these certificates deposited.

To this day, Senator, we have never been able to get that statement. [Continuing reading:]

The intention was to deposit these certificates for the purpose of securing the depositors of the bank, and further to secure other national banks having paper of Mr. Thompson's. If you have any particular form you use in cases of this kind, I should be glad to receive it. I do not know for how long a period you want the certificates deposited. I assume that it will be until the bank is in such condition as complies with the requirements of the law. The deposit agreement should, of course, be so worded as to protect Mr. Thompson and provide that ultimately the stock will be returned to him in the event it does not have to be applied for the purpose for which it is deposited.

That is Mr. Combs's letter to Mr. Williams just after the certificate of this stock was arranged for. Here is the receipt of McCombs, Ryan & Gordon for that stock. This stock was first deposited with this law firm, which at that time was representing Mr. Thompson and negotiating with the comptroller:

OCTOBER 29, 1914.

Received from J. V. Thompson share of stock No. 4 of Liberty Coal Co. for 3,000 shares issued to J. V. Thompson, and indorsed by him in blank, and share of stock No. 3 of Wetzel Coal & Coke Co., for 7,000 shares issued to J. V. Thompson, indorsed by him in blank, to be held at this office pending arrangements at office of Comptroller in Washington for deposit under agreement, to be approved by J. V. Thompson for the First National Bank of Uniontown.

McCOMBS, RYAN & GORDON.

That stock, you see, was deposited with that law firm on October 29, 1914. The stock remained with that law firm until a proceeding in our local court was brought to permit the receivers of Mr. Thompson, appointed by the local court, to turn it over to the comptroller. That order was made by our local court on May 29, 1915, and is found in the paper book of the equity case which I will later on offer in evidence.

So that stock remained, then, in the hands of these attorneys from October 14, 1914, until the date I just gave you.

Senator FLETCHER. Mr. Jones, I think it would help us all if you would specify what you mean in answer to Senator Newberry's question. In what respect do you charge Mr. Williams as comptroller with unfairness or improper motive or having some personal reason for acting in this way? Can you specify that, and then proceed with your proof afterwards? If you can, we can have it in our minds.

Mr. JONES. Certainly. In the first place, there was an agreement entered into between Strawn, the receiver, and Wendt, Williams's attorney, and the trustees of Mr. Thompson in bankruptcy, and Mr. Weil, I believe representing these stockholders, in New York City at Samuel Untermeyer's residence. At that conference it was understood that this bank building sale should be postponed. At that time the stockholders had it restrained in the Federal court—

Senator FLETCHER. When was that? Give the date of that, if you can.

Mr. JONES. It must have been about January 22, or just before January 22, 1918, because the order withdrawing the petition to restrain the sale of the bank building was entered in the United States court at Pittsburgh on that date. So it must have been just a few days before that.

In the agreement in New York—and I will say that it was by authority of the comptroller—it was there understood that the suit was to be instituted in the nature of an amicable action by the comptroller to determine what this agreement between him and Mr. Thompson was and to dispose of this stock.

In pursuance of that conference the petition to restrain the sale was withdrawn and the restraining order vacated. That was on January 22, 1918.

On February 15 this suit to sell the stock was started, in pursuance of the New York conference; but when it was started, after the bank building was sold, it developed that it was not to determine the contract between Williams and Thompson at all, though brought by the comptroller's counsel, Mr. Wendt, in pursuance of that agreement in New York, but it was simply a foreclosure proceeding, and they deliberately kept out of that case in the trial every bit of testimony after the bank building was sold as to what that agreement with Mr. Thompson was.

In the meantime the Comptroller had had these stocks, or at least one certificate assigned to him. He had gone into a stockholders' meeting of the coal company in Uniontown, and with that certificate of the stock in his name, or at least his representative—I do not know who attended the meeting—and they there controlled the election of the directors of that company and controlled the organization of the directors. He had no more right in that meeting of shareholders or stockholders than I did, and I do not own a share. Yet he did that, and then it developed that he was trying to sell this stock in this proceedings, and this proceeding was for no other purpose than to sell the stock.

Now, what was the situation? The banks of the United States—the national banks of the United States—the last class of beneficiaries under this agreement with Mr. Thompson, between Mr. Thompson and Mr. Williams, did not know what interest they had in it. The stockholders of this bank did not know what interest they had in it, because Mr. Williams did not tell them what the agreement was. Nobody knew what interest they had in it and I submit to you, gentlemen, that when that testimony is analyzed, if you will go into it, you will come to the conclusion that they wanted to sell that stock under those unfavorable circumstances, and that they had gone into that meeting of the coal company's stockholders for the purpose of controlling it with the intention to buy the stock—

Senator NEWBERRY. Who was going to buy the stock?

Mr. JONES. I do not know. I do not know whether Mr. Williams was going to buy it himself.

Senator NEWBERRY. If you do not know, why do you say he has a personal interest in it?

Mr. JONES. I am giving the facts to you, Senator, just the same as I would give any jury the facts.

Senator NEWBERRY. I do not gather any personal motive or interest. If they made a mistake in judgment, that is a vastly different matter. But you are claiming here that he had a personal interest or motive in doing certain things. I would like to hear what they are.

Mr. JONES. Senator, suppose he, without any authority under this collateral agreement, had that stock on the books of the coal com-

pany in his name. Supposing that he sent a representative to that stockholders' meeting in Uniontown when he had absolutely no business there, and controlled the election of the directors and the organization of the board of directors of that company. Suppose at the time he was forcing the sale of this stock under certain circumstances that nobody knew what it was worth, and nobody knew what their interest in it was, and nobody could possibly figure out their interest in it, and therefore nobody would bid for it.

Senator NEWBERRY. I do not suppose anything of the kind. I suppose that naturally he was doing the best he could for the interests of the Government he represented. If you know anything to the contrary let us hear what it is.

Mr. JONES. I have told you, Senator, a series of circumstances.

Senator NEWBERRY. He was neglectful of his duty if he did not look after the collateral he was holding. Of course, he has got to go to a stockholders' meeting by a representative or someone else or neglect his business.

Mr. JONES. He had no right to have that stock in his name.

Senator NEWBERRY. That is a difference of opinion.

Senator FLETCHER. Was the stock transferred on the books to him?

Mr. JONES. It is now.

Senator FLETCHER. Individually?

Mr. JONES. It is now. I do not know in what manner he went there or had his representative there to take part in this proceeding, as I said.

Senator NEWBERRY. Do you not think it was his duty as comptroller to look after the collateral in his possession?

Mr. JONES. Certainly.

Senator NEWBERRY. Then why should he not be represented at that meeting?

Mr. JONES. That depended, Senator, entirely upon what his purposes were; and we can not arrive at his purposes other than by an examination of what he did. That is the question.

Senator FLETCHER. Do you say in the suit that the comptroller has not asked for a construction of the agreement as to the order and sale of the stock?

Mr. JONES. He did not, and his attorney, Mr. Wendt, and Mr. Strawn's attorney, Mr. Higbee, objected to every offer that was made—

Senator FLETCHER. Does not the petition ask the court to direct the disposition of the proceeds?

Mr. JONES. Certainly.

Senator FLETCHER. How can the court direct the disposition of the proceeds unless it knows the equities between the parties?

Mr. JONES. Senator, please do not get away from this fact, that had that stock been sold immediately after the order was made in the equity case—that order was made on July 24, 1918, and from that order the appeal is taken and is still pending—had that stock been put up and sold within a day or a week or a month after that decree was made, when nobody knew their interest in the stock, when nobody could plan to protect what interest they might have in it, that stock would not have brought one-half, one-third, one-fourth what it was worth.

Senator FLETCHER. Did the decree order it sold in a day?

Mr. JONES. No.

Senator NEWBERRY. Did not anybody know its value?

Senator FLETCHER. It was a public sale, was it not?

Mr. JONES. Certainly.

Senator FLETCHER. There were people concerned in it who appeared in the suit?

Mr. JONES. Yes. As I said Senator, I do not want you to take what I say about this proceeding. I am going to submit in evidence here statements of A. Leo Weil in an argument on the appeal, and to that argument is attached the name of Samuel Untermyer, Mr. Williams's private counsel, as I am told, and in that language you will get just what those men—and they are better lawyers than I am and better understand this thing than I do—just what they said about it. I could go on and read all their letters to you, some of which are already in evidence, which show absolutely that Mr. Williams, Mr. Strawn, and Mr. Thompson—

Senator FLETCHER. You do not mean to charge, Mr. Jones, that Mr. Williams, the comptroller, was manipulating and managing and making secret agreements or conferences in an effort to acquire this coal-land stock himself, do you?

Mr. JONES. I would say, Senator, that that is the only conclusion I think any reasonable man can draw, either that Mr. Williams himself wanted this stock or that Mr. Williams was a party to proceedings which would have enabled some of his friends or somebody else who had no interest in it to get it at practically nothing. That is my judgment.

I will submit to you, as I said, the argument of Mr. A. Leo Weil, to which is attached the name of Samuel Untermyer as to what they thought.

Senator FLETCHER. Do you state that Mr. Untermyer represented Mr. Williams in any way in that litigation?

Mr. JONES. No; he did not.

Senator FLETCHER. Then why bring Mr. Untermyer in?

Mr. JONES. Simply because Mr. Untermyer is known to Mr. Williams, and if Mr. Untermyer could find a word in defense of Mr. Williams he would say it; and if Mr. A. Leo Weil could find a word in defense of Mr. Williams I believe he would say it; and I will show you in a minute why they did not say it, as I understand it.

Now, gentlemen, I am going to submit the record of that equity case. I have designated it, the stenographer will notice, as Volumes 1 and 2.

This dispute as to what this contract was was on as between Thompson, Strawn, and Williams. Mr. Strawn writes Mr. Williams a letter on May 28, 1917. Strawn and his local counsel had been discussing this contract, and here is what he states in his letter to Mr. Williams:

I stated to him (Mr. Thompson) also that under the terms of the pledge it seems clear that I have the right to cover from the funds sufficient to pay his expressed liabilities, including such of his notes as had been pledged by other parties as collateral security for the payment of their indebtedness at or before the pledge was made, but that in the opinion of my attorneys made by other parties—

Notice, now [continues reading]:

notes made by other parties and discounted by the bank for Mr. Thompson's accommodation, but upon which his name does not appear as maker, indorser,

or otherwise, could not participate, and that all of that class of so-called "indirect liabilities" covering the notes of other persons to whom Mr. Thompson in turn owes money unquestionably could not participate at all.

(Reading further:)

From my conversation with Mr. Thompson I infer that if substantially all of the proceeds can be retained for the benefit of this bank he will endeavor to bring about the redemption of the stocks for the full sum of \$750,000.

That is Mr. Strawn's statement to Mr. Williams; and had Mr. Williams and Mr. Strawn said to Mr. Thompson, "All right, sir; you give us the \$750,000 and we will agree as we originally agreed that the \$750,000 goes to the bank to pay Mr. Thompson's direct and indirect indebtedness"—because that was the agreement—had Mr. Williams answered him thus, the bank building would not have been sold. But what did Mr. Williams write? Just one other fact in the same letter, on the next page. Strawn asks Mr. Williams certain questions:

3. Will you give an expression of opinion as to the right of notes made by other parties and discounted by the bank for Mr. Thompson's accommodation but upon which his name does not appear as maker, indorser, or otherwise, to participate in the fund?

In connection with that, Senators, let me tell you this: Thompson, maybe a year or two or three years before this bank was closed, owed this bank probably a million dollars. I do not know how much was his own notes. Mr. Williams made him get off of that paper, and in making him get off that paper the only way that he could get off was to call me in. But he did not. He called in lots of better friends than I was and asked them to give their notes in certain amounts, \$10,000, \$20,000, \$30,000, \$40,000, \$50,000, or \$100,000, and those notes were put into the bank and Mr. Thompson's notes taken out.

Mr. Williams made Mr. Thompson do that, and after Mr. Thompson had done that, and in connection with making him do that, Mr. Williams had Mr. Thompson put these 10,000 shares of stocks up to protect the bank against those other notes, and the record that I have offered shows that the amount of Mr. Thompson's indirect liabilities to that bank, in pursuance of Mr. Williams's direction to substitute other people's notes for his own, amounted to \$897,000—almost \$900,000—and those poor people down there have had to pay some of those notes. He knew that the comptroller wanted to sell this stock at a sacrifice price and they have been denied their right to participate in whatever little bit of proceeds he is able to realize out of it.

Mr. Williams made Mr. Thompson get our people down there to substitute their notes for Mr. Thompson's notes. Why did not Mr. Williams close the bank then? That is the question you ought to ask him.

Senator NEWBERRY. What makes you think he wants to sell it at a sacrifice price? Let us get back to his motive. We can criticize, possibly, his judgment, but let us get at this statement in regard to his motives, now.

Mr. JONES. Senator, let me read you his answer to Mr. Strawn's letter.

Senator NEWBERRY. There is nothing in Mr. Strawn's letter to indicate any motive?

Mr. JONES. Now, just a minute——

Senator NEWBERRY. Will you please answer my question? Is there anything in Mr. Strawn's letter that indicates anything on Mr. Williams's part, personally?

Mr. JONES. Mr. Strawn——

Senator NEWBERRY. Can you say yes or no? I do not want to cross-question you. Is there or is there not anything in there?

Mr. JONES. I think there is.

Senator NEWBERRY. Will you point out what indicates any motive on Mr. Williams's part, in Mr. Strawn's letter?

Mr. JONES. I can not point out anything that indicates Mr. Williams's motive because Mr. Strawn was writing that letter; but Mr. Strawn puts it this way to Mr. Williams, "Will you give an expression of opinion?" Why did Mr. Strawn ask Mr. Williams what were the facts in reference to that agreement? If Mr. Strawn had asked Mr. Williams for the facts, if he was going to determine, himself, whether or not that stock ought to be sold or whether Mr. Thompson ought to be permitted to redeem it, and if he was permitted to redeem it, what would become of the proceeds? Mr. Strawn asked Mr. Williams for an opinion, and the thing that would have controlled it was the agreement between Mr. Strawn and Mr. Williams. What did Mr. Williams reply to that? On page 145 of the same record I will read one paragraph:

It is not deemed necessary——

Notice this. [Continues reading:]

It is not deemed necessary or advisable to reply to these interrogatories at this time and you are advised to state to Mr. Thompson that you are not authorized to discuss with him as to how the proceeds arising from the sale of the collateral mentioned will be applied when received by me, but that you have only been instructed as my representative and agent to make demand upon him to at once redeem the said stocks by paying to you the full value thereof and in default of such payment that you obtain from him or his legal representatives a statement in writing——

He wanted a statement in writing. [Continues reading:]

a statement in writing setting forth his views as to the time and manner of selling or disposing of said stocks with the view of ascertaining whether a satisfactory agreement can be reached between us in this connection and as provided under the order of court under which the stocks were directed to be turned over to me.

And then this paragraph, Senator:

You will submit this request to Mr. Thompson in writing and ask that he reply to the same as early as convenient as it is deemed important that steps should be taken as soon as practicable to dispose of the stocks and in this connection you are authorized to consult freely with your counsel, Mr. Wendt, and if deemed necessary to have personal conference with him in connection with your correspondence with Mr. Thompson.

Why in the world should Mr. Williams instruct his receiver, Mr. Strawn, to consult with Mr. Wendt, local counsel for Mr. Williams, as to the conversations that he should have with Mr. Thompson as to the correspondence that should pass between Strawn, the receiver, and Mr. Thompson, as to what the agreement was as between Williams and Thompson? Gentlemen, why, I ask.

Why, Senator, should not Mr. Williams have written to Mr. Strawn in reply to his letter of May 28, 1917, and said, "Mr. Strawn, my agreement with Mr. Thompson was that the stock was already

deposited with the law firm in New York and then transferred to me to protect this bank against all of Mr. Thompson's direct and indirect indebtedness, and you will take the matter up with Mr. Thompson accordingly." And if he had done that, sir; that would have ended the whole matter. Why should he not have done that, Mr. Chairman?

Absolutely, the question between Mr. Strawn and Mr. Thompson and the comptroller with reference to what that agreement actually was has kept our community in turmoil for four years and has cost these stockholders hundreds of thousands of dollars; and why, you gentlemen will have to answer when you get all the record.

Senator NEWBERRY. I thought you were going to answer and tell us why.

Mr. JONES. No; I am going to ask the question and submit the evidence. I can give you my opinion.

The CHAIRMAN. This agreement, whatever it was, was an oral agreement?

Mr. JONES. And by correspondence.

The CHAIRMAN. Just where and how do you expect to set it up and have it interpreted? Suppose a legal question would arise sometime, in the first place, as to what authority Mr. Williams had to make any such agreement.

Mr. JONES. No; that question would never have come up at all, because if Mr. Williams had said to Mr. Thompson or Mr. Strawn in reply to that letter, "That stock was put up with us to protect the bank against Mr. Thompson's own notes and these notes that I made Mr. Thompson get his friends to put in, instead of his notes," that would have ended the whole thing. Then, if there was any dispute as to the items of people's notes that had been substituted for Mr. Thompson's as between the people themselves, that would have been a question for the court, and each claimant would have had to prove his right to participate in the proceeds of that stock.

The CHAIRMAN. That is what I referred to. Ultimately you will have to have this agreement interpreted by the courts as affecting—

Mr. JONES. Not as between Strawn or Thompson and Williams, but as between the individuals who might seek to participate.

The CHAIRMAN. Yes; attacked collaterally; and when it is attacked collaterally, your idea is that, notwithstanding the fact that it never had been put in writing, the establishment of it by parole would be sufficient?

Mr. JONES. It would have been sufficient for Mr. Thompson's purposes. For instance, suppose Mr. Williams had written Strawn in reply to Strawn's letter of May 28, 1917, that that stock was put up to protect Mr. Thompson's direct and indirect indebtedness to the bank. Suppose Mr. Williams had written that to Mr. Strawn—

The CHAIRMAN. If he had written it, it is reduced to writing—

Mr. JONES. No; wait a minute, now, Senator. It is not a matter of whether it is reduced to writing or not. Just one moment, now. [Continuing.] And if Mr. Thompson, after Mr. Strawn had got that letter, had come in to Mr. Williams's office and laid down to Mr. Williams \$750,000 to redeem that stock the bank building would not have been sold. The stock would have been of \$750,000 value. That \$750,000 would have been turned over by Mr. Williams—

The CHAIRMAN. That fact was never questioned by any of the parties in interest—the right of the comptroller to make this agreement?

Mr. JONES. No; that has never been questioned, because he has got the stocks yet, to this day.

The CHAIRMAN. Yes; he has got the stock, as I understand it.

Mr. JONES. Suppose it should be questioned, Senator. That simply means, then, that these 10,000 shares of stock become a part of the estate of J. V. Thompson, in bankruptcy.

The CHAIRMAN. I understand that.

Mr. JONES. And nobody wants to question the right of the comptroller to make this agreement, as I understand it. All we want Mr. Williams to do—

The CHAIRMAN. It never has been contested by the comptroller or anybody?

Mr. JONES. No, sir. All we asked Mr. Williams to do and all we asked Mr. Strawn to do was simply to agree as to what that contract was, and perchance Mr. Thompson would have laid down into Mr. Williams's hands \$750,000 to redeem that stock, or some of Mr. Thompson's friends would have done it, and then that \$750,000 would have gone into the bank to pay the depositors of the bank and there would have been no necessity to sell the bank building.

The CHAIRMAN. It was indorsed in blank and turned over?

Mr. JONES. Indorsed in blank and turned over to Mr. Williams. And as I said a minute ago, Senator, the dispute between those men—and I submit it to you that under this evidence Mr. Williams was absolutely responsible for that dispute—

The CHAIRMAN. Naturally, under those circumstances, should there not have been a power of attorney, something indicating the purpose for which the stock was to be devoted, something in writing?

Mr. JONES. Mr. McCombs was, as I said, a Democrat, and probably a friend—

The CHAIRMAN. Answer my question. Would not that be the universal custom in such a transaction?

Mr. JONES. It ought to have been.

The CHAIRMAN. To have some writing accompanying it indicating the purpose for which the stock was deposited.

Mr. JONES. Why, certainly, Senator. Why was it not done? Mr. McCombs wrote Mr. Williams in October, 1914, asking him for a statement as to his understanding as to how that stock was deposited and whether the stock was in this law firm's hands, and within five or six days afterwards—

The CHAIRMAN. Have you the correspondence indicating the nature of that agreement?

Mr. JONES. Yes, sir; I certainly have.

The CHAIRMAN. It seems to me if you have anything in writing it should be submitted.

Mr. JONES. It is already in evidence, Senator, but just to refresh your recollection: Sherrill Smith, as I said, was receiver for this bank for the first three months after it was closed; that is, from January 15 or 19, 1915, until April 15, 1915. Then he resigned and Mr. Strawn succeeded him. Mr. Sherrill Smith was before you as a wit-

ness. Sherrill Smith writes this letter to Mr. Ryan, of the law firm of McCombs, Ryan & Gordon. The letter is dated March 1, 1915, and is already in evidence, but to refresh your recollection I will now read the letter:

As you may know, I am receiver of the First National Bank of Uniontown, of which Mr. J. V. Thompson was president. I am informed, as I wrote you recently, that sometime prior to the failure of that bank Mr. J. V. Thompson assigned and transferred to you certain securities in trust, substantially as follows:

First. To secure the payment of his (Thompson's) direct and indirect indebtedness to the First National Bank of Uniontown.

Second. To indemnify or protect the depositors of the First National Bank of Uniontown from loss by reason of the insolvency or inability of the bank to pay them.

You see, that letter does not say anything about the other national banks, the third beneficiary of the trust fund.

The CHAIRMAN. That was the receiver's understanding?

Mr. JONES. That was the receiver's understanding at that time.

The CHAIRMAN. My point is: Have you anything in writing committing the comptroller to that understanding?

Mr. JONES. All right. I offer the letter of Mr. Strawn, dated May 28, 1917, and the answer of Mr. Williams.

The letter of Mr. Strawn states what Mr. Thompson's contention is, and the answer of Mr. Williams on the next day, May 29, 1917, absolutely refused to answer Mr. Strawn's question.

The CHAIRMAN. That is my point. You have, then, nothing in writing committing Mr. Williams to the understanding which his receiver had in regard to that contract?

Mr. JONES. We have never been able to get a single thing in writing.

The CHAIRMAN. In the correspondence, I mean, there is nothing to show it?

Mr. JONES. No, sir. We have never been able to get one word in writing from him, and I was unable, on July 11, 1919, to get him to give me a letter.

The CHAIRMAN. Have you a statement from the attorneys?

Mr. JONES. Just a minute; I will read you another letter. This is a letter of Mr. Sherrill Smith on March 1. As I said, it is addressed to Mr. Ryan of this law firm which had the stock in hand. Mr. Thompson writes Mr. Ryan on March 18, 17 days after Smith had written this letter to Ryan. Mr. Thompson writes Mr. Ryan as follows—this letter is not in the record:

FIRST NATIONAL BANK OF UNIONTOWN,
Uniontown, Pa., March 18, 1915.

FREDERICK R. RYAN, Esq., New York, N. Y.

MY DEAR MR. RYAN: Mr. Sherrill Smith, receiver, came out to see me this evening, and asked me to write him a statement for what purposes the certificates were deposited, which I have done, and inclose you a copy of the letter I have written, which is practically in accord with the letter Mr. McCombs wrote to Mr. Williams. Please have the agreement drawn to protect me, naming some definite time or conditions for the termination of the escrow agreement.

I am arranging to go to New York next week, and hope to see you there about the middle of the week.

Yours, very truly,

J. V. THOMPSON.

Here is a copy of the letter that he inclosed with that letter to Ryan, which he had evidently on the same evening mailed to Mr. Smith. This letter is not in evidence:

UNIONTOWN, PA., *March 18, 1915.*

SHERILL SMITH, *Esq.*,

Receiver, First National Bank, Uniontown, Pa.

MY DEAR SIR: Answering your question, in regard to the certification for 10,000 acres of coal lands which I left with Mr. Frederick R. Ryan, of New York, for deposit with the Comptroller of the Currency, in accordance with arrangements made with said Comptroller at a former conference between him, Mr. Ryan and myself, would state that they were to be deposited—

First. To secure the payment of any and all indebtedness to said bank on which I was in any way liable (which, of course, would inure to the benefit of the depositors).

Second. To secure from loss, equally and ratably, all depositors of the First National Bank, Uniontown, Pa.

Third. As a protection and security to all national banks who may have discounted and owned any note or notes of mine.

Fourth. Proper agreement covering the terms of this collateral deposit to be furnished to me on delivery of same.

That agreement was never drawn by Mr. Williams; that agreement was never made by Mr. Williams, and we have absolutely nothing from Mr. Williams in writing to show what the contract was.

Senator NEWBERRY. Do you find anything in those three letters that indicates any personal motive or interest on the part of Mr. Williams?

Mr. JONES. Nothing more than the fact that Mr. Williams ought to have told Sherrill Smith himself what the agreement was; nothing more than that Mr. Williams ought to have written Mr. McCombs in October, 1914, what the agreement was, confirming Mr. McCombs' letter; nothing more than the fact that Mr. Williams at no time has committed himself as to what this agreement is, and to this date refuses to do it.

Gentlemen, as I said, if you please—and this may answer your question—at this conference in New York it was understood that the comptroller should start this equity case in Pittsburgh to determine this contract and sell this stock. The restraining order stopping the sale of the bank building—

The CHAIRMAN. You mean by that, this agreement?

Mr. JONES. This oral agreement providing for the deposit of this collateral stock. The restraining order was withdrawn, vacated, on January 22, 1918. A suit to construe this agreement and determine what it was was begun on February 15, 1918.

Senator NEWBERRY. Mr. Chairman, before he starts something else I would suggest that we adjourn.

The CHAIRMAN. I should like to finish with this witness. I am willing to stay here and have him complete his testimony.

Senator NEWBERRY. May I be excused, then? I will come back as soon as I can.

The CHAIRMAN. Certainly.

Senator KEYES. Have you any idea how long it will take, Mr. Chairman?

The CHAIRMAN. How much longer do you think you will require, Mr. Jones?

Mr. JONES. I think probably 15 or 20 minutes.

In answer to the Senator's question as to what evidence I have of Mr. Williams's motive, I want to call the committee's attention to these facts:

Mr. Wendt stated before the committee a few days ago that this proceeding to sell the bank building in the United States court was after a full hearing, after the court had all the facts before it; but I say to you that the record which I have offered in evidence shows that on November 28, 1917, the petition for authority to sell the bank building was presented. On that same day, November 28, 1917, the order of sale was made, and yet Mr. Wendt testified before this committee, or stated before this committee, that the order was made after full hearing. His statement as to that was absolutely false, and there is the record to show it [indicating].

That petition, as I said, was presented in November. They advertised the bank building to be sold on January 12. On January 11, as is shown by this record of the United States court, the stockholders then represented by other counsel went into the United States court by petition to restrain the sale of that building. A restraining order was made and the sale stopped. Between the 12th day of January, 1918, and the 22d day of January, 1918, when the petition for the restraining order was withdrawn, as is shown by that record, they had this conference in New York in Mr. Untermyer's residence, and there it was agreed, as is shown by this record, that this equity case was to be brought by the comptroller to construe this agreement and to sell the stock, first. The sale of the bank building was continued for 30 days. It was advertised for sale just after the Saturday, I believe, before the 23d, which would be the 16th of February—it may be that it was the 22d of February; I am not sure—anyway it was advertised. The 30 days that they had allowed them to continue the sale expired about the 22d of February.

I want to read you one paragraph from the petition, the second petition as found in this record to restrain this sale. They had this conference in New York; this equity case was started to construe this contract; the sale of the bank building had been postponed, and the 30-day period was about to expire when the facts set forth in this paragraph of the petition occurred [reading]:

A like petition—

That is, to the one filed originally. [Continues reading:]

hereto, in some respects, was presented to this court in the early part of January, ultimo, and a restraining order was issued by this court at that time. At the same time, on application of New York counsel, the Comptroller of the Currency agreed to have the sale of said building continued for a period of 30 days. Immediately thereafter the receiver and his counsel, counsel representing the creditors' committee (which represents a large percentage of the claims against the Thompson estate, and is attempting to make the sale of the property for the protection of creditors), and the attorneys for the trustees in bankruptcy, met by appointment in the city of New York to agree if possible upon a method of procedure whereby the rights of all parties would be safeguarded. The receiver and his counsel were informed at this meeting that negotiations were practically completed by which a syndicate of capitalists had been induced to undertake the purchase of all the Thompson properties, including these stocks deposited with the comptroller, and as a part of the arrangement said syndicate was to pay \$750,000 for said stocks, was to pay other amounts which would inure to the benefit of creditors of said bank, and was to pay all back taxes, and interest on the mortgages on the properties of said Thompson, and that the consummation of said transaction with

said syndicate would in effect make collectible a very large proportion of the bills and notes held by said receiver of said bank, would furnish the bank with funds with which to pay off all creditors, and would make the stock of said bank worth to stockholders from \$1,000 to \$1,500 a share.

It was accordingly arranged that as the comptroller had agreed that said sale should be continued for 30 days, it would be accordingly so continued, and that meanwhile the receiver and his counsel would investigate the bona fides of the alleged negotiations for the sale of the property by the creditors' committee by the purchasing syndicate. This conference was held on Saturday. On Monday, without making any such investigation, the receiver and his counsel appeared at Uniontown, and against the protests of the trustees insisted upon electing representatives of the comptroller directors of one of the coal companies, thereby taking control of said corporation contrary to the terms of the agreement under which the stocks had been deposited.

That is a sworn statement in the petition that was filed in the United States Court. That shows you, Senators, the significance of what Mr. Williams, and his receivers, and his counsel were doing. [Continues reading:]

The same week said receiver and his counsel went to New York and investigated the negotiations with said syndicate for the sale of said property, but said receiver upon his return, when asked by the trustees whether or not the sale would be further continued, stated in reply that he would not answer as it might furnish to the trustees information upon which to proceed to obtain another order of stay. Counsel for the trustees, in writing, requested counsel for the receiver to advise him what conclusions had been reached in the premises with reference to continuing the sale, but said counsel did not reply to said letter. Accordingly, the trustees and their counsel to the last minute did not know whether said sale would be continued or not; and at the last minute, a few hours before the time of the sale on Saturday last, the 16th instant, for some reason unknown to petitioners, the sale was continued for another week and readvertised for the 23d instant.

Meanwhile, said receiver has been giving out information to the newspapers, especially to the News Standard, of Uniontown, Pa., which on the 16th instant stated:

"Definite determination of the Government to dispose of the property developed yesterday, with the further fact that all negotiations between the financial interests behind the present examination of the Thompson properties and the Government officials have abruptly terminated. These interests, a combination of New York and St. Paul financial men, have failed to convince Receiver Strawn or the Federal authorities that they will underwrite the Thompson estate sufficiently to guarantee a full payment of all the debts which bear the stamp of Federal protection. These include the direct debts of the bank to depositors and Mr. Thompson's notes held by other national banks of the country."

The publication of such statements makes the carrying out of the proposed sale very much more difficult, and the sale of said building, which is regarded in Fayette as the Thompson Building, would make the entire public believe that all negotiations for the rehabilitation of the Thompson estate were at an end and that the estate had to be liquidated by being sold out piecemeal and in segregated parts. It would not only cause the loss of millions of dollars to said estate, but also millions of dollars of loss to all holders of coal securities, as the throwing of these enormous properties upon the market would have the effect of greatly reducing the price of coal property throughout western Pennsylvania and West Virginia.

I am reading, gentlemen, what was stated in a petition sworn to by Mr. Strawn. Gentlemen of this committee, he is alleged to have said time after time, after he became receiver—

The CHAIRMAN. Sworn to by whom? Finish your sentence.

Mr. JONES. This is sworn to by Mr. G. R. Schrugham, one of the trustees, and the petition is signed by all of the stockholders, including the Thompson trustees. Up to that time I had not been associated with counsel—

The CHAIRMAN. Proceed.

Mr. JONES. On Saturday morning, February 23, after this agreement in New York to postpone this sale, after this equity case had started to determine what this contract between Williams and Thompson was—remember that on Friday night before the 23d was when this committee meeting was held—Mr. A. Leo Weil, attorney for the trustees, Judge Humble, 15 years on our local bench, and myself, went into the United States court in Pittsburgh, 70 miles away, with a sworn petition for a restraining order to stop the sale of this bank. I had telegraphed the comptroller the result of the public meeting remonstrating against the sale. This case in equity had been started to construe this contract and dispose of the stock, and yet the United States court said, “Now, gentlemen, the bank building is being advertised to-day. The comptroller has charge of that. The Government of the United States is settling this estate.” or in words to that effect; and on Saturday morning, February 23, 1918, the court refused to issue a second restraining order. Now, notice. The first restraining order never would have been withdrawn had not Mr. Williams and his New York counsel suggested the conference in New York. It was withdrawn in pursuance of that conference, and after it was withdrawn these stockholders were unable to get reinstated, and the bank building was sold.

What happened when they came to the equity case? I am going to conclude in just a minute, Mr. Chairman. I want the lawyers on this committee to examine the paper books in this case to determine just what was at issue in this equity case of which I offer the paper books in evidence. That equity case was started to determine what this contract was and to dispose of this stock. To prove that I want to read the sixteenth paragraph of the second petition for a restraining order.

(On account of the controversies between the receiver and said Thompson and the stockholders of said bank as to the construction—

There is the word “construction.” [Continues reading:]

of said agreement under which said coal stocks were deposited—

The **CHAIRMAN.** Does it set out the agreement?

Mr. JONES. Oh, yes; it is all set forth in this petition—that is, the order of our court permitting the attorneys to turn this stock over to Mr. Williams is all set out in this petition.

The **CHAIRMAN.** You are not referring now to the oral agreement?

Mr. JONES. Oh, yes.

The **CHAIRMAN.** Is that set out in that petition, the oral agreement with Thompson?

Mr. JONES. The facts that are alleged to constitute the agreement are set out in this petition.

The **CHAIRMAN.** You base that on the correspondence that you have?

Mr. JONES. Yes, sir; and the personal interviews as claimed by Mr. Thompson.

The **CHAIRMAN.** Very well. Was the terminology of that agreement as set out in that petition disputed by anybody?

Mr. JONES. The language of this agreement? It was disputed when we got into the equity case.

The **CHAIRMAN.** Was there any disposition on the part of the comptroller to dispute the answer setting forth this agreement?

Mr. JONES. In the answer which was filed by Mr. Strawn, he denied that there was any obligation on him to answer that question. The receiver representing the comptroller, in the first answer he filed to the petition praying for a restraining order, to that portion of the petition setting forth that this stock was hypothecated with the comptroller and that it was in his hands to protect Thompson's indebtedness to the bank—

The CHAIRMAN. Just answer my question to get this clear in my mind. This petition calls for a construction of a certain agreement?

Mr. JONES. This petition sets up that a suit in equity had been filed to determine the construction.

The CHAIRMAN. Very well. And does this petition you set up give that agreement?

Mr. JONES. Yes, sir.

The CHAIRMAN. Has the language of that agreement or the terms of it ever been disputed by the comptroller?

Mr. JONES. As I said a moment ago—

The CHAIRMAN. Or by his counsel?

Mr. JONES. The receiver of Mr. Williams and his counsel deny any obligation on him, in the proceeding to restrain the bank, to answer the question.

The CHAIRMAN. How was that decided?

Mr. JONES. It has never been decided yet. The conference in New York provided, as we understood—that is, the conference in New York was to the effect that a suit was to be brought in equity to settle that question, and when the bank building was being sold before that question was settled, then we went into court—

The CHAIRMAN. I understand that.

Mr. JONES (continuing). And alleged that this suit in equity by agreement with the comptroller had been started to construe that contract, and until that was settled we could not with safety permit the bank building to be sold; that is, we had an agreement that it would not be sold. I will read on:

As to the construction of said agreement under which said coal stocks were deposited as security for the payment, first, of said indebtedness of said Thompson, and, second, of securing and protecting all depositors of said bank, and, third, of securing the payment of notes of said Thompson held by other national banks, said controversies being as to what is the indebtedness of said Thompson to said bank, to the payment of which the proceeds from the sale of said stock should be applied, as required by the express terms of said agreement of deposit with said comptroller—said comptroller has filed in the District Court of the United States for the Western District of Pennsylvania at No. 192, May term, 1918, his bill in equity praying for the construction of said agreement and an order directing the sale of the said stocks deposited thereunder, and for the distribution of the proceeds of the sale of said stocks to and among the parties entitled thereto. Service of said bill has been made upon the respective parties defendant, which said bill is now pending.

If said comptroller should dispose of the Liberty and Wetzel Coal Co. stocks, and apply the proceeds in accordance with the terms of said deposit to the payment of the indebtedness of said Thompson, and the indebtedness of said Thompson is as alleged by petitioners and claimed by said Thompson in the several amounts, both direct and indirect, as hereinabove set forth, all of the indebtedness of said bank can be paid by the proceeds of said sale, the cash now on hand, and the bills and accounts receivable, and all of said real estate will remain the property of the stockholders.

I will not read further. That is a sworn statement in the proceeding to stop the sale of the bank building after the conference in New

York and after this equity case was brought to construe that agreement.

Immediately after that, gentlemen, is when I went to Pittsburgh as attorney for these stockholders and attempted to have the independent stockholders, those outside of Thompson, be permitted to become parties defendant in order that they might see that this contract was construed so as to protect their interests. Mr. Wendt, the attorney who appeared here before you for the comptroller, argued to the court for an hour and a half that the receiver Strawn, was a party defendant, that he represented my clients, and that he being a defendant representing my clients, my clients should not be parties defendant—which, as a legal proposition, was entirely right, and we do not want to be understood as criticizing the court for sustaining that position. My position is this, that Mr. Strawn was disputing Thompson's direct and indirect indebtedness while embraced in this contract. Mr. Williams was standing mute, would not say anything, as he is standing mute to this very moment. If Mr. Strawn did not raise the question as to the legal representative of the stockholders of the bank, who would raise the question?

Mr. Wendt, attorney for the comptroller, would not allow me under those circumstances to file that petition and allow my clients to have a day in court.

Let me read you Mr. Strawn's answer, found on page 46 of the second volume. That will show you, gentlemen, whether or not Mr. Strawn wanted this agreement construed in this equity case:

ANSWER OF JOHN H. STRAWN, RECEIVER, FILED MARCH 26, 1918.

I, John H. Strawn, receiver of the First National Bank of Uniontown, one of the defendants in this action, for answer to the portion of the answer of David M. Hertzog, George R. Scrugham, and R. M. Hite, trustees in bankruptcy of Josiah V. Thompson, or to such parts thereof as I am advised that it is necessary for me to answer, say:

I deny that plaintiff, through me as receiver of the bank, or that I as such receiver, have maintained and insisted that the only indebtedness of Thompson to the bank, for which said stock is held as collateral, is his direct indebtedness, aggregating between \$200,000 and \$300,000.

He denied that after he had written a letter to Mr. Williams dated May 28, 1917, and this was filed almost a year later, in which he suggested to Mr. Williams that the language of the order of the court did not appear broad enough to embrace Mr. Thompson's direct and indirect indebtedness. I read on:

I can not state the exact amount of the so-called indirect indebtedness of Thompson to the bank; but the total thereof, together with his direct indebtedness, does not equal the amount stated in the answer, \$800,000.

He did not say what it was, and he knew what both of them were. He had the figures and the list had all been checked up between him and Thompson. [Continues reading:]

Much of this indirect indebtedness I have collected, and I have secured large portions of the remainder, which will be collected.

In like manner I have secured liens for a large proportion of Thompson's direct indebtedness to the bank, which I believe will be collected.

I am advised that it is not necessary for me to further reply.

Gentlemen, there was a bill of the comptroller brought to construe that agreement. I had attempted to have my clients made parties defendant in order that that agreement might be construed

and their interest protected, and yet Mr. Strawn, representing my clients, comes into court and does not raise the question, and states in his answer:

I am advised that it is not necessary for me to further reply.

My clients were kept out of court by Mr. Williams's attorney.

The CHAIRMAN. Did you make any attempt to get a further reply?

Mr. JONES. Did I cite him to file an additional answer?

The CHAIRMAN. Yes.

Mr. JONES. No. I will tell you why. Mr. Wendt told me before the United States court that when this matter came on for hearing he would let me know, in order that I might attend the hearing as an attorney for those parties. The case went to hearing without any notice from Mr. Wendt to me, and I did not know anything more about it until the decree was entered.

The point I want to make, gentlemen, in connection with this right here is this: This bill was filed by the comptroller to construe that agreement and to sell this stock. In the meantime the sale of the bank building was to be continued, first, for 30 days. We did not have the language of the conference in New York to determine whether it was from time to time until this equity case was disposed of, but the presumption is that it was. What was the use of withdrawing the restraining order for 30 days and then let the bank building be sold without a construction of this agreement, and the sale of this stock in the hands of the comptroller as collateral and the application of the proceeds of that stock? But it came up to the last minute before February 23, 1918, when this bank building was sold, and these stockholders did not know what the receiver and Mr. Williams were going to do. They did not know until Friday evening when that public meeting was called, and they did not know until they went to Pittsburgh on Saturday morning with another petition setting forth the facts about the conference in New York; and this equity suit was brought by agreement to construe the contract and apply the proceeds of that stock to the indebtedness of Mr. Thompson.

The CHAIRMAN. What happened to the other petition? Put it all in here.

Mr. JONES. We came down on Saturday morning, February 23, the day the bank building was to be sold and the day on which the bank building was sold—Judge Humble, attorney for the Thompson trustees; Mr. Weil, of Pittsburgh, associated with Mr. Humble for the trustees; and I, representing these independent stockholders, went by petition before the United States court, the petition embracing all of the facts of the original petition on which a restraining order had issued and had been withdrawn because of the conference in New York. The prayer of the petition for a second restraining order was refused by the United States court and the bank building was sold at that time.

The CHAIRMAN. On what ground was that second petition denied?

Mr. JONES. Because we had withdrawn the other petition—I mean, because the other petition had been withdrawn and the restraining order vacated; and the second petition was presented at the last moment before the sale was to be held in Uniontown and the court simply refused it.

The CHAIRMAN. Have you the finding of the court there?

Mr. JONES. Yes, sir.

The CHAIRMAN. Was it on the ground that it was too late or was res judicata?

Mr. JONES. The order of the court on the second petition filed February 23, 1918, as found on page 36 of the extracts of record, is as follows:

And now, February 23, 1918, petition refused.

(Signed) per curiam.

The CHAIRMAN. That is all; no reasons given?

Mr. JONES. No, sir. Now, gentlemen, in order to show that Mr. Williams was personally responsible for that conference in New York, and in order to show that what was done after that must have been done by him, I want to read an extract from Mr. Strawn's testimony in the equity case found on page 71 of volume 2 of the paper book:

Witness (Mr. Strawn) met Mr. Well, Mr. Wickwire, Mr. Untermeyer, and Mr. Thompson last January at Mr. Untermeyer's residence in New York, pursuant to instructions from the comptroller.

Mr. Williams was responsible for the conference in New York. The comptroller, Mr. Williams, was responsible then for the withdrawal of the petition which restrained the sale of the bank building. He was responsible for the sale of the bank building under the circumstances in which it was made.

I am going to mention just one or two facts, Mr. Chairman, and then I will be through.

As I said a while ago in answer to a question of the Senator, Mr. Weil, of Pittsburgh, and Samuel Untermeyer, of New York, are more experienced lawyers and better appreciate the principles of law involved and the questions at issue in the equity case than I. I read from their argument. This argument is signed by Weil & Thorp, attorneys for appellants. A Leo Weil, Charles M. Thorp, S. Leo Ruslander, W. D. Stewart, of counsel, and Samuel Untermeyer, counsel to creditors' committee. (Reading:)

These offers of evidence were for the purpose of showing that the term "of all indebtedness of said Thompson to the bank," included his indirect as well as his direct obligations. The fact was admitted that he told the comptroller of this indirect indebtedness and explained its character. It was understood at all times between the comptroller and Mr. Thompson that it was because of this indirect liability that Mr. Thompson was called upon to put up collateral; in fact, he had been forced to take out of the bank certain of his direct obligations and substitute therefor the obligations of other parties, the payment of which Mr. Thompson had assumed.

That is the language of those lawyers in connection with the issue as framed in the equity case.

I want to read several paragraphs in connection with further offers made. I read from page 72 of volume 1:

We offered to prove that the receiver by liquidating the assets of the bank had paid all the creditors and depositors of the bank, or had sufficient money on hand to make such payments.

This was after the bank building was sold.

This would show that the sale of the stock was not necessary to protect depositors from loss.

After the bank building was sold, after Mr. Strawn's receiver had sufficient money in his hands to pay all depositors, they were even

then following up this proceeding to sell this stock under the circumstances I have described a while ago when I said that nobody knew what interest they had in the proceeds of that stock, nobody knew. no group of men or women knew what their interests might be so that they might protect themselves—

The CHAIRMAN. They were following up the proceedings to determine to whom the proceeds from the sale of the stock should go?

Mr. JONES. No. They got away from the construction of the agreement. They would not allow it to be construed, and they objected to every bit of testimony offered to construe the agreement. and they simply resolved it into a foreclosure proceeding. They changed the entire character of the proceeding from what it had been understood the proceeding would be in New York in that conference. That was the duplicity of the whole proposition. After they got the restraining order stopping the sale of the bank avoided and at the time this proceeding was just brought in equity to construe the contract the attorneys for the stockholders thought it was a proceeding to construe the agreement.

The CHAIRMAN. I understood that you were quoting from their statement as to what the agreement meant?

Mr. JONES. As I was just saying, Senator, the counsel for the stockholders thought this proceeding was to construe the agreement.

The CHAIRMAN. Yes; I understand you.

Mr. JONES. But after they got into it they found it was not a suit to construe the agreement, but a suit to foreclose.

The CHAIRMAN, I understand you, now.

Mr. JONES. I am simply reading the summary of the offers that this counsel attempted to prove and how Wendt and his counsel attempted to prove it:

We offered to prove that the sale of these securities should not be ordered at this time because there was a contract of sale outstanding for \$750,000 for these securities, which in all probability would be consummated within a comparatively short time and that this amount was more than would be realized at a public sale. We offered to prove that vast majority of the beneficiaries of this trust of which the comptroller was trustee had approved of that sale for \$750,000 and were opposed to any sale by the comptroller at this time.

A. Leo Weil, in the trial of the case, offered to prove that practically all of the nation banks of the United States at that time held Thompson's notes, and were the third and last list of beneficiaries under the agreement of Mr. Strawn and Mr. Williams. He offered to prove that the banks did not want it sold, that the stockholders did not want it sold, and offered to prove that the depositors were paid in full or that there was money enough in the hands of the comptroller to pay in full; yet he was not permitted to prove a word of it after Mr. Williams's attorney in New York had agreed that this case should be started for that very purpose.

As I said a minute ago, the attorneys for the stockholders withdrew their restraining order to stop the sale, with an understanding—not in writing; certainly not—with the comptroller that a suit would be brought to construe the agreement and sell this stock first; and as soon as they got the matter in shape and the restraining order off the record, then they jammed the sale of the bank building through and then had the court, on the pleadings that Mr. Williams and Mr. Strawn, his receiver, framed—had the court construe this suit to be a foreclosure proceeding and not a suit to construe an agree-

ment between Thompson and Williams. The building was gone, and now what do they want to do? They want to sell these stocks for whatever they can get out of them under the circumstances.

The CHAIRMAN. Have the stocks depreciated?

Mr. JONES. No, sir; they are appreciating; they are increasing in value. But here is a question in reference to the stock: If Mr. Williams sells these stocks for \$500,000 and Mr. Thompson's direct indebtedness to the bank is \$200,000, then \$200,000 of the \$500,000 goes to the bank. The depositors are paid in full. That was the second class of creditors for which this stock was hypothecated. The depositors of the bank are paid. So that leaves the third class of beneficiaries under this agreement who would participate and get this \$300,000.

Mr. Weil offered to prove in that case brought by the comptroller, as he thought, to construe the agreement, but as the comptroller and his counsel framed the issue, it was nothing but a foreclosure proceeding—Mr. Weil offered to prove that the national banks of the United States, a great majority of them, did not want the comptroller to sell that stock. The comptroller's counsel objected to that testimony, and the comptroller's counsel's objections prevailed, and the court would not hear a word of that testimony. It said that the comptroller under this agreement has a right to sell this stock because Mr. Thompson did not redeem it within a specified time.

I could read you some other paragraphs, gentlemen, as to the offers that were made. I want to read you the summary of this, as to just what that case was. This is not my language:

When the crash came, and after the receiver appointed by the comptroller had taken charge of and had nearly completed the liquidation of Thompson's bank, and when the comptroller, through his receiver, had in his hands enough money, or had enough security outside of these trustees' stocks, with which to pay and discharge all of Thompson's indebtedness to the bank, and after practically all of the depositors had been paid the comptroller filed this bill in equity for leave to sell this collateral which had been deposited with him under the circumstances above stated. For what reason?

This is the language of the attorneys in this case:

What reason is given in the bill filed? Let this question be emphasized again and again—For what reason? Why? It was not to satisfy creditors who were clamoring for this sale, because, as a matter of fact, as we offered to prove, a vast majority of them did not want the sale and were opposed to it. With the exception of one or two comparatively small creditors, no beneficiary of the trust appeared in court to urge the sale. As a matter of fact the majority of the beneficiaries are not before this court.

The sale is insisted upon by the comptroller notwithstanding the fact that offers were made to show that the market for coal properties was appreciating and a better price could be obtained later; notwithstanding the fact that an offer was made to show that the option price as contained in the contract with the comptroller would in all probability be paid shortly by the purchasers of the Thompson properties, and that this was a higher price than could be obtained at a public sale; notwithstanding the fact that an offer was made to show that the sale of this stock would imperil the liquidation of the whole Thompson property, involving millions, because it would take out so valuable a part of the property optioned; notwithstanding the fact that it was offered to prove that because the respective parties or classes of parties who would be entitled to distribution out of the fund realized from the sale were in doubt—

Now, notice this:

Uncertainty and controversy, and, therefore, until determined, neither class would know whether or not to bid at the sale and thereby protect their interest, and therefore, as a result, bidding would be deterred and a less price

secured. In fact, generally summarized, without the allegation of complaint or the proof at the trial of a single valid reason why this sale should be hurried or insisted upon at this time, and against the protests and objection of substantially all of the beneficiaries, and contrary to all of the reasons which appealed for delay in the interest of the beneficiaries, and particularly in the interest of the trustees in bankruptcy representing general creditors of the Thompson estate, insistence was made upon an order directing sale at once—and again the question is asked, Why? To what end? For what purpose? To serve or gratify whom? There is nothing in the record to show.

That is the language of the brief.

The CHAIRMAN. Is that all, Mr. Jones?

Mr. JONES. Yes, sir.

The CHAIRMAN. Mr. Williams, I understand you desire to answer? Have you finished, Mr. Jones?

Mr. JONES. Yes, sir.

Mr. WILLIAMS. I would like to have a few minutes to reply.

STATEMENT OF HON. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, my feelings are precisely the same as yours would be if this witness had made these statements and charges against any member of this committee. He has absolutely no basis upon which to go, and I want to denounce Mr. Jones as a contemptible and wanton slanderer in making the statement or suggestion that I had any private or personal motives in any act which I have taken in connection with this matter. His statements are so full of inconsistencies that it will take me some little time to point them out, and I will not tax your patience further at this time.

I will simply say this: He has admitted to you that he begged me to simply give him a letter and a very brief statement as to what I thought would be the construction of a certain agreement, and that if I should give him that letter all would be well and that he would not make his complaint.

The CHAIRMAN. Not so much as to the construction but as to the language of the agreement, as I understand it. He wanted you to put in writing the terms of the agreement.

Mr. WILLIAMS. I beg your pardon; I think what he said was my construction of the agreement.

The CHAIRMAN. There was no written agreement.

Mr. WILLIAMS. Perhaps you will ask him and get that clearly in your own mind.

Mr. JONES. My request of Mr. Williams was that he tell me what were the terms of the agreement, not his construction or not his opinion.

Mr. WILLIAMS. The arrangement, Mr. Chairman, had been submitted to the Federal courts for construction and interpretation.

The CHAIRMAN. Yes; but what I want to get clear in my mind is your reason for refusing to give him the terms of the agreement.

Mr. WILLIAMS. The terms of the agreement were with the court. The court had to construe and declare what the terms were.

The CHAIRMAN. The language of the agreement?

Mr. WILLIAMS. The stock was deposited under a more or less indefinite agreement, but for the benefit of the creditors of Mr. Thompson in the First National Bank of Uniontown primarily—

The CHAIRMAN. The correspondence and letters indicate that there was an understanding, a clear understanding on the part of your examiners, that by the terms of this agreement the depositors and stockholders of the bank attached to the bank would be considered before the outside debts. He wanted you to put that understanding in writing, as I understand it?

Mr. WILLIAMS. It was not as clean-cut a proposition as that, Mr. Chairman, as you have stated it. It was more or less vague and involved, and it was necessary for the comptroller to act under instructions from the court. He could do nothing else. He had no authority to proceed otherwise.

The CHAIRMAN. You mean to say that there was no definite agreement reached?

Mr. WILLIAMS. Finally; by order of court.

The CHAIRMAN. No; but in your conversation in New York—

Mr. WILLIAMS. I never went to New York on the subject, Mr. Chairman.

The CHAIRMAN. Your representatives—or wherever this understanding was reached. It has been stated and quoted by the witness twice from written letters signed by your examiners or the receiver, and that agreement is stated by them very definitely as I remember it.

Mr. WILLIAMS. That is just the trouble with the agreement. It was not a very definite one at the outset, and so it had to be defined in conference with the court or on the courts' order.

The CHAIRMAN. The witness has stated that he repeated the agreement in your presence to your counsel, Mr. Buchanan.

Mr. JONES. Mr. Buchanan stated the terms of the agreement in Mr. Williams' presence to me.

The CHAIRMAN. That is substantially the same thing—that Mr. Buchanan stated the agreement and Mr. Jones asked you if you would put it in writing, and you declined.

Mr. WILLIAMS. Yes.

The CHAIRMAN. What have you to say with regard to that?

Mr. WILLIAMS. I am very glad you put it up in that brief form. I told the witness that I was not in a position to construe that agreement, that the whole matter had been submitted to the Federal court—

The CHAIRMAN. He did not ask you to construe it. He asked you to put it in writing as stated to you by your counsel, Mr. Buchanan.

Mr. WILLIAMS. I told him that the definition of that agreement and its interpretation were a matter being handled by counsel, and that I would not undertake to take the matter out of their hands and give an opinion and interpretation.

The CHAIRMAN. Very true, the interpretation and definition—that might very likely be a fair statement to make; but when you come to the language of the agreement itself, it was stated to you by your counsel, Mr. Buchanan.

Mr. WILLIAMS. No; I think that Mr. Buchanan is here and he will answer that question in a moment.

The CHAIRMAN. That is Mr. Jones' statement.

Mr. WILLIAMS. He is incorrect, I think.

The CHAIRMAN. Apparently the receivers in their correspondence with you understood definitely just what the terms of that agreement were. That is, the language of the agreement. There might be a dispute as to the interpretation of that language.

Mr. WILLIAMS. The statements made by Mr. Jones are so full of inaccuracies and distortions that it would take some little time to pick them out and explain them to the committee. I shall have to do that.

The CHAIRMAN. As a matter of fact, you did decline at that time to give to Mr. Jones the language of the agreement, and, as I understood you, you declined to give it because there never was any agreement.

Mr. WILLIAMS. I declined to do it because the whole matter was before the Court and I could not say what the court's construction or interpretation or decision would be.

The CHAIRMAN. What do you mean by the whole matter?

Mr. WILLIAMS. The question, in the first place, of the sale of the stock, and, in the second place, the disposition of the proceeds thereof.

The CHAIRMAN. The question of the terms of the agreement or the interpretation of the agreement—which was before the court?

Mr. WILLIAMS. Both.

The CHAIRMAN. The terms of the agreement would have to be stated, would they not, before the court could determine them?

Mr. WILLIAMS. As I recall, Mr. Chairman and gentlemen, the stock was deposited originally—

The CHAIRMAN. Just answer my question, now. I just want to get your view of it. When were the terms of the agreement stated?

Mr. WILLIAMS. Specifically, at the start?

The CHAIRMAN. How could it be interpreted by the court until it was set out somewhere?

Mr. WILLIAMS. To the best of my knowledge and belief the terms and the details of the agreement, as it now stands to-day, were not set out in the original paper at the outset—

The CHAIRMAN. Then the dispute was over the language of the agreement and not over its construction?

Mr. WILLIAMS. I do not recall so much of the language of the original agreement; I do not know what the language of the original agreement was or what you may call the original agreement, but there was correspondence requiring the deposit by Mr. Thompson of certain stocks for the protection of the creditors of the First National Bank.

The CHAIRMAN. Oh, I understand that; but when you got possession of this stock, or when your counsel did, it was indorsed in blank and there was no power of attorney accompanying it indicating the purpose for which it was hypothecated?

Mr. WILLIAMS. You mean there was or was not?

The CHAIRMAN. There was not, as I understand it.

Mr. WILLIAMS. May Gov. Buchanan answer that?

The CHAIRMAN. Certainly.

Mr. BUCHANAN. Mr. Chairman, I think I can make that clear in a very brief manner, and I shall have to be brief because I have been called home on account of the illness of my brother.

This agreement is in writing and defined by the court, and the only controversy is over the construction of the word "all."

Mr. WILLIAMS. May I interrupt right there? Do you refer to the agreement which was agreed to by all sides subsequent to the original deposits of the certificates of stock?

Mr. BUCHANAN. As I explained in my testimony at a former date, this stock was to be placed in the hands of Mr. Thompson's counsel, McCombs, Ryan & Gordon, and to be held until an agreement was framed, or at least they were to form a corporation to procure stock, and the time they did that, which was in 1914, I think—

The CHAIRMAN. You mean to say that this stock was turned over without any understanding as to the obligations accompanying it?

Mr. BUCHANAN. As I understand it—I was not here at the time, sir—certain coal property was to be turned over to a corporation which was to be formed for that purpose.

The CHAIRMAN. I am not talking about the property.

Mr. BUCHANAN. The stock was to be procured by McCombs, Ryan & Gordon, as I understood from the letter of Mr. McCombs, which was read by Mr. Jones this morning. It was to be held to secure Mr. Thompson's indebtedness to the Union National Bank and other national banks. Subsequently this property went into the hands of a receiver, and the receiver demanded that stock, and McCombs, Ryan & Gordon were not willing to turn it over without the consent of the shareholders' committee, and they were not willing to turn it over without an order of court defining the agreement. A petition was filed by the receiver setting forth his understanding of the objects and the terms on which this stock was to be held, which were as follows—

The CHAIRMAN. Are you about to read now the understanding with regard to the nature of the agreement?

Mr. BUCHANAN. Yes, sir; that is the very thing.

Mr. JONES. Mr. Chairman, that proceeding that he is now going to read was only a petition on the part of Strawn, the receiver, to get permission of the Thompson receivers—

The CHAIRMAN. I know; but if it sets out this agreement, let us see what it is.

Mr. BUCHANAN (reading):

That the defendant in the above-entitled case is indebted to said First National Bank, of Uniontown, Pa., in a large sum of money; that pursuant to an agreement previously made between the Comptroller of the Currency of the United States, John Skelton Williams, and said J. V. Thompson, the latter, on October 29, 1914, assigned, transferred, and delivered to William F. McCombs, Frederick R. Ryan, and Alexander Gordon, of New York City, State of New York, partners doing business as McCombs, Ryan & Gordon, certificate number 4 for 3,000 shares of the capital stock of the Liberty Coal Company, a West Virginia corporation, in the name of said J. V. Thompson, and duly indorsed in blank by him, and also certificate number 3 for 7,000 shares of the capital stock of the Wetzel Coal and Coke Company, a like corporation, in the name of said J. V. Thompson, and duly indorsed by him, for the purpose (first) of securing payment of all indebtedness of Thompson to the First National Bank, of Uniontown, Pa.; (second) of securing and protecting all depositors of said First National Bank, of Uniontown, Pa., from loss; and (third) of securing payment of notes of Thompson held by other national banks; that the indebtedness for which said stock was pledged as aforesaid was never fully paid; that for the more convenient and effectual administration of the trust aforesaid, said Thompson, said McCombs, Ryan & Gordon, and said comptroller have agreed, subject to the consent of the receivers appointed by your honorable court in the above-entitled case, that said certificates of stock shall be delivered by McCombs, Ryan & Gordon to John Skelton Williams, Comptroller of Currency, to be held by the latter in trust for the

purposes aforesaid, it being understood that in order to give said Thompson a reasonable opportunity to readjust and rehabilitate his financial affairs, said stocks shall not be sold, assigned, transferred, or otherwise disposed of by said comptroller prior to March 1, 1916, and after the expiration of said period, and only when and in such manner as may be agreed upon by said counsel or his legal representatives and said comptroller, and in default of such agreement when and in such manner as may be determined by a court of competent jurisdiction.

That is the petition.

The CHAIRMAN. Now, Mr. Jones, what have you to say to that statement of the agreement?

Mr. JONES. My suggestion to the chairman is this, of course, that the order of court was made, as I said, on petition of Strawn to get Thompson's receivers authority to have McCombs, Ryan & Gordon turn the stock over to the comptroller. It simply recites there that this stock was hypothecated or left with those attorneys to pay all of Mr. Thompson's indebtedness. The agreement as to the kind of indebtedness of Mr. Thompson that was to be paid had long been entered into between Thompson and Williams.

The CHAIRMAN. That states the order of the obligation, does it not, accurately?

Mr. JONES. Oh, yes; it states the order; but the only point, Mr. Chairman, is this: The word "all," as Mr. Buchanan says, was the word that was to be construed; and what they have been attempting to do is to get Mr. Williams to tell us the terms of the agreement so we would understand that the word "all" in the order of the court embraces Mr. Thompson's direct and indirect indebtedness. If you will ask Mr. Williams whether or not—

The CHAIRMAN. Wait a minute.

You had this conversation with him in Mr. Williams's presence?

Mr. BUCHANAN. Yes, sir.

The CHAIRMAN. I suppose Mr. Jones stated it to you as he stated it to me just now?

Mr. BUCHANAN. The statement that Mr. Jones wanted was—

The CHAIRMAN. He wanted Mr. Williams to state—

Mr. BUCHANAN. He wanted Mr. Williams to state that the intention was that the word "all" should include the indirect as well as the direct indebtedness.

Mr. JONES. Not the intention, but that the agreement was that the word "all" included direct and indirect indebtedness.

Mr. BUCHANAN. Your word was "intention"; what the intention was.

The CHAIRMAN. You agreed with him, as far as that goes? Call it the intention if you wish.

Mr. BUCHANAN. Yes.

The CHAIRMAN. And Mr. Jones wanted Mr. Williams to put that in writing and Mr. Williams declined?

Mr. BUCHANAN. Mr. Williams referred it to me, and I said, "The construction of that paper is before the court. I have no objection to stating to you personally my view, as a lawyer, that the word "all" means all and would include all the indebtedness that can be shown that Mr. Thompson owes the bank; but I do not care to give a letter to the court or put Mr. Williams in the attitude of giving a letter to the court saying how that paper should be construed."

The CHAIRMAN. I would like to get this clear in my own mind. Mr. Jones insisted that it was understood prior to this time, distinctly understood, that the word "all" meant the direct and indirect indebtedness——

Mr. JONES. That the word "all" meant both Mr. Thompson's indebtedness to the bank and his direct and indirect indebtedness——

The CHAIRMAN. The direct and indirect indebtedness; yes.

Mr. JONES. That is the paper that Thompson was on personally and the paper that Mr. Williams had required Mr. Thompson to get his friends to sign substituting for Mr. Thompson's paper.

The CHAIRMAN. That was the dispute.

Mr. JONES. That was the dispute.

The CHAIRMAN. That is what the dispute was about?

Mr. JONES. Yes, sir; and I asked Mr. Williams and Mr. Buchanan to simply assure me as to what the terms of the original contract between Mr. Williams and Mr. Thompson were.

Mr. BUCHANAN. It is agreed by all parties what that contract was. Let me read a minute:

For answer to the petition of John H. Strawn, receiver of the First National Bank of Uniontown, Pa., I say that I have read the said petition and find the statements therein contained to be true and correct and I join in the prayer of said petition and consent that the 3,000 shares of the capital stock of the Liberty Coal Company and the 7,000 shares of the capital stock of the Wetzel Coal & Coke Company may be delivered to John Skelton Williams, Comptroller of the Currency, to be held by him in trust as in said petition set forth.

That is signed by Mr. J. V. Thompson.

The CHAIRMAN. Let us hear what Mr. Jones has to say.

Mr. JONES. It goes back to the proposition, Did "all" mean Mr. Thompson's personal obligations in the bank and to include notes that Mr. Williams had made Mr. Thompson get from his friends to put in in order to lift Mr. Thompson's own paper from the bank?

Mr. BUCHANAN. I wish further to read Mr. Thompson's statement to Mr. William F. McCombs, Frederick R. Ryan, and Alexander Gordon:

I, Josiah V. Thompson, hereby consent and agree that you transfer and deliver certificate No. 4 for 3,000 shares of the capital stock of the Liberty Coal Company, a West Virginia corporation, in my name and duly endorsed in blank by me, and also certificate No. 3 for 7,000 shares of the capital stock of the Wetzel Coal & Coke Company, a like corporation, in my name, and duly endorsed in blank by me, to John Skelton Williams, Comptroller of the Currency of the United States, to be held by him for the purposes and upon the terms specified in a decree entered by the court of common pleas of Fayette County, Pennsylvania, sitting in equity, number 744, May 29, 1915, in an action wherein David L. Burr and Fuller Hogsett are plaintiffs and I am defendant, a certified copy of which is hereto attached.

The CHAIRMAN. I understand the situation.

Mr. WILLIAMS. May I just say one word?

The agreement at the start was indefinite. Mr. Thompson came to the comptroller's office and said that he would deposit as security for his indebtedness to that bank certain coal stocks or coal securities. At that time there was no definite and concrete agreement entered into because we did not exactly know the form in which those coal shares would be submitted or presented. My recollection is that we had to organize two or three corporations for the purpose of taking over certain coal properties and then present the shares. When the shares were deposited with his counsel, then the comptroller's

agreement and can not now be held by the comptroller or any person to so contain the terms of the agreement.

The CHAIRMAN. I think I understand you.

ADDITIONAL STATEMENT OF HON. JOHN SKELTON WILLIAMS.

Mr. WILLIAMS. Mr. Chairman, before this witness leaves the room, as I understand he expects to do soon, would it be proper for me to call attention to the fact that he has made these very grave charges or insinuations against me, implying improper motives in my official acts with respect to the transfer of that stock, without presenting one scintilla of evidence to prove them?

The CHAIRMAN. You understand, Mr. Comptroller, that Mr. Jones as a lawyer undertook this morning to state what he intended to prove. That, of course, he would have a right to do. Unless those inferences or deductions are established by facts which he presents, of course they have no weight with the committee.

Mr. WILLIAMS. I want to call attention to the injury that is done to a public official in giving expression to those mischievous and false charges, which are sent broadcast about the country, without the slightest corroboration or support of any sort.

Mr. Chairman and gentlemen, I will take up seriatim a few of the statements which have been made by this witness.

In opening his dissertation he charged that I had made one Hinckley, an officer of the First National Bank of Uniontown, withdraw some \$250,000 of deposits and thereby protect himself prior to the failure of the bank. Evidence already submitted to the committee, if I may be privileged to remind you, has already shown the fallacy of that charge. Sherrill Smith, now chief national bank examiner in New York, who was the first receiver of this bank, and who was the examiner prior to the time that he became receiver, has explained that Hackney had had on deposit with this bank some \$200,000 or \$250,000, for which he had obtained certificates of deposit, and upon which certificates of deposit he was collecting interest at the rate of 6 per cent per annum.

The examiner pointed out that that money was nothing but borrowed money, money borrowed by the bank at 6 per cent from Hackey on a subterfuge in the shape of a certificate of deposit, and that it should be reported in the statement of condition, if the statement was made out in good faith, as borrowed money, and not as a deposit; and the action of the examiner simply related to the form in which the liability should be carried, whether it should be carried as a liability in the shape of a deposit or whether it should be carried as a liability for borrowed money. It was deceiving to the public to put that amount there and carry it as a deposit when it was nothing but a loan liability in the judgment of the examiner and the comptroller's office. That, so far as I know, is the only basis whatsoever for the charge or suggestion that an opportunity was given to an officer of the bank to protect himself and withdraw funds ahead of other depositors.

In his testimony this afternoon this witness repeatedly stated that I had required Thompson to get dummy notes and filled his bank with dummy notes in exchange for Thompson's own direct obligations to the bank. That statement is wholly untrue. When the

comptroller's office and the examiners ascertained that Thompson was borrowing from the bank of which he was president an amount approximately ten times its capital stock, they were naturally alarmed for the safety of the bank's deposits, and they insisted that he should reduce his indebtedness; that he should pay these various loans, loans composed partly of direct obligations of his and partly loans bearing his indorsement, and that they must be gotten out and reduced to the lawful limit. The examiners were earnest and vigilant in endeavoring to have that done; and, speaking without the reports before me, my recollection is that at the time the bank finally collapsed—a bank with over three million of dollars of liabilities, having in its cash at the time of its suspension, as I recall, about fifteen or eighteen hundred dollars—Thompson's apparent obligations to the bank at that time, as stated by him and sworn to, if I remember correctly, in the last report of condition, were about \$200,000.

Now, this witness comes before you and declares that there were other obligations by Thompson in the bank in the shape of dummy loans, or loans for various individuals. He says he was borrowing money from man, woman, and child, I think, to use his own expression, in and about Uniontown—people whom he had gotten to sign notes, and which he had then put into the bank. But I want to observe that that, if done at all, was done against the protest of the examiners. The examiners did not know, as far as I am informed, that when Thompson was advising the comptroller's office that he was paying off his loans, and swearing to it, he was simply substituting the notes of irresponsible makers for his own obligations, and he was responsible for those loans so substituted, as this witness now informs you was the case. As to whether that is true and whether Thompson was responsible for those \$700,000 of dummy loans, I am not passing upon at this time, and passing no opinion as to what his liability was or may be upon those \$700,000 of loans, or any portion of them. But please understand that those are the loans which he says the comptroller's office required Thompson to put into the bank—a wholly unwarranted statement.

He complains very bitterly that the national-bank examiners injured Thompson's credit prior to the suspension of the bank by warning or admonishing the national banks in Pennsylvania in regard to Thompson's paper. Ah, Mr. Chairman and gentlemen, I respectfully submit that an examiner in Pennsylvania in those days would not have been fit for his job if he had not warned and admonished the national banks against overloading with paper of J. V. Thompson with the knowledge which they had of his financial condition. This witness has told you himself that this man was borrowing money right and left, wherever he could, and paying commissions of 5, 10, 15, 20, or 30 per cent. He has also told you that he was borrowing \$35,000,000 at the time of his collapse. His unsatisfactory financial condition was notorious. His insolvency, or possible insolvency, or probable insolvency, was a matter that was being discussed generally among banks, that the banks were all overloaded with \$35,000,000 of Thompson's paper—State banks, national banks, men, women, and children as he has expressed it, in Uniontown; everybody from whom he could borrow money he was getting money from, and tiding himself along in that way. Is it conceivable that a national-bank

examiner, finding a bank overloaded with Thompson's paper, would not admonish them against it?

But I want to make this very clear that whatever admonitions or warnings were given by the national-bank examiners in regard to paper which they found in that bank were given in the performance of their duty and with due regard to the protection, so far as they could protect them, of the makers of that paper.

I was deeply concerned over the conditions, and required Thompson to come down to Washington upon several different occasions to discuss the situation of this bank, which was giving me great concern, and I was fortunate in being able to require him to provide that he should put up additional security to protect whatever obligations it might be found he owed to the First National Bank of Uniontown and to other national banks that were loaded up with his paper, as was eventually done. I call your attention to the fact that owing to the unceasing vigilance and efficient work of the examiners in the comptroller's office and the receiver of this bank, all of the depositors of that bank have been paid in full, while this witness here has told you that Thompson's unsecured debts of about twelve millions, as he estimates them, will probably be paid at 15 cents on the dollar, or probably 20 or 30 cents on the dollar. Nobody knows what they will get.

I think that so far from this incident being a reflection upon the office of the Comptroller of the Currency, it is greatly to its credit that this bank, which appeared to be so hopelessly insolvent, with three and a half millions of liabilities at the time of its failure, congested paper—and this witness says a million of it, or thereabouts, was paper owing by Thompson, this hopeless bankrupt, and by his dummies—that that bank has been able to collect enough money to pay its depositors in full—a hundred cents on the dollar and interest.

Mr. Chairman and gentlemen, this witness, Mr. Jones, in his opening statement to this committee reported calling at the comptroller's office on the 11th of July, or thereabouts, and he says that the greater portion of the time of that interview, which was not very extended, was taken up in endeavoring to explain to me or to assure me whom he represented, if he represented anybody. I must say that up to this time I am not assured that Mr. Jones either represents anybody or at that time represented anybody. He has given us no written evidence of it. I understand that it is probable that when he sought to intervene in the suit at Pittsburgh he had powers of attorney from the stockholders, or a considerable number of them, of the Uniontown Bank, to represent them for that particular purpose. But my information is that since that motion was made those stockholders have slipped away, as far as he is concerned, and that they are no longer his clients, or at least quite a number of them are not. In fact, I think he admitted, in response to inquiries addressed to him by me on the occasion of his visit to my office, that he no longer represented the largest stockholders, whom he claimed to have represented in the matter of the motion in the Pittsburgh court; and when we tried to find out whom he did represent, my recollection is that he was able to show less than 75 shares which he then claimed he partly represented, and I am informed indirectly that some of those stockholders have denied that they have given Mr. Jones the right to represent them.

A few moments ago, in his statement to the committee, I understood Mr. Jones to claim that that court order setting forth the terms or purposes of that agreement bound no one; that it was not binding upon anyone. I do not know how he reaches that conclusion or attempts to justify the statement. I think that it has been shown that that was signed and agreed to both by Mr. Thomson himself, by his trustees or receivers, on the one part representing the deposit of the stock and the equitable ownership of it, and by the receivers and the comptroller's office, to whom those certificates were turned over for the benefit of the creditors. Who else were concerned? Thompson turns that over for the protection of the creditors of Thompson, and especially the depositors of the First National Bank. It was presumably his stock when he deposited it. The court order sets forth the terms under which it was to be held by the comptroller in trust. This court order provides how the proceeds shall be applied and the stock shall be sold. There was an agreement between the parties in interest, between Mr. Thompson, who deposited the stock, and the trustee or depositary with whom it was pledged for the benefit of certain creditors.

The CHAIRMAN. I do not know but what ultimately the outside shareholders might have an interest.

Mr. WILLIAMS. Outside what?

The CHAIRMAN. His clients might have an interest.

Mr. WILLIAMS. You mean Thompson's creditors?

The CHAIRMAN. The outside shareholders of the bank.

Mr. WILLIAMS. How, Mr. Chairman? I understand how his creditors would have an interest, but how would the outside shareholders have an interest?

The CHAIRMAN. In any final settlement of the affairs of the bank they might not have any interest but there might have been something coming to them.

Mr. WILLIAMS. You mean the shareholders?

The CHAIRMAN. Yes.

Mr. WILLIAMS. But as I understand it, Mr. Chairman, that stock was deposited for the benefit of the creditors of the bank and certain other creditors whose interests were set forth in the court order. There were national banks whose claims, as I understand it from that order, would be satisfied before the other shareholders of that bank.

The CHAIRMAN. Oh, yes.

Mr. WILLIAMS. Here are the express provisions: The stock was deposited to be held by the said Williams for the purpose, first, of securing payment of all indebtedness of Thompson to the First National Bank of Uniontown, Pa.; second, of securing and protecting all depositors of said First National Bank of Uniontown, Pa., from loss; and third, of securing the payment of notes of Thompson held by other national banks.

The comptroller's office was deeply concerned, Mr. Chairman and gentlemen, in protecting the Thompson creditors in the other national banks, as well as in the First National Bank of Uniontown, and it seems hardly reasonable, with this agreement staring us in the face, to claim that the proceeds of those coal shares should be used to pay a thousand dollars a share, or whatever it is he claims, to the shareholders of the First National Bank of Uniontown when

the Thompson creditors and other national banks are entirely unsatisfied.

Those provisions of the trust agreement are made "with the understanding, however, that the said stock shall not be sold, assigned, transferred, converted, or otherwise disposed of by the said comptroller prior to March, 1916."

The CHAIRMAN. Just why, then, did you object to giving him a written statement to the effect that the word "all" meant the direct and indirect debts?

Mr. WILLIAMS. I did not think I should give him any statement. I thought it was a matter which had been committed to the court, and upon which the court should pass judgment.

Mr. JONES. Mr. Chairman, may I suggest one question? Will you ask Mr. Williams in what court this matter has been submitted? I would like to know.

The CHAIRMAN. You may answer, Mr. Williams.

Mr. WILLIAMS. May counsel answer?

The CHAIRMAN. Certainly.

Mr. BUCHANAN. In the district court of the western district of Pennsylvania.

Mr. JONES. In that equity case, Mr. Chairman, they would not allow them to offer any evidence to show what the word "all" meant.

Mr. BUCHANAN. That was with the court. We had nothing to do with that.

The CHAIRMAN. Let us proceed.

Mr. WILLIAMS. The court order proceeds:

That the said stocks shall not be sold, assigned, transferred, converted, or otherwise disposed of by said comptroller prior to March 1, 1916, and, after the expiration of said period, only when and in such manner as may be agreed upon by said Thompson, or his legal representatives, and said comptroller, and in default of such agreement, when and in such manner as may be determined by a court of competent jurisdiction, and that said Thompson, or his legal representatives, shall have the right to redeem said stocks at any time in the interim on the payment of a sum not exceeding seven hundred and fifty thousand (\$750,000) dollars.

(Signed)

J. Q. VAN SWEARINGEN,

President Judge.

As far as I know—I am speaking without information from counsel at the moment on this point—Thompson could presumably still redeem those stocks if he has the money. I do not know whether there has been any agreement entered into which would prevent that, but unless there has he can still put up his \$750,000 to protect these trusts and get his shares.

The CHAIRMAN. Is the stock worth that now?

Mr. WILLIAMS. I do not know what it is worth, Mr. Chairman. This witness has claimed that it was worth from one to two million dollars. Mr. Thompson has always had that privilege of protecting himself, as far as I know.

Mr. Chairman, I would like to reserve the right to answer any further statements which may have been made by this witness after I shall have the opportunity of reading his testimony. But I shall be pleased to answer any questions you may see proper to ask at this time.

The CHAIRMAN. I think we will pass on to some other matter.

Mr. WILLIAMS. Mr. Chairman, I would like to call attention, in closing this particular subject at this time, to the fact that the United States Circuit Court of Appeals, in the third district, October 10, 1918, in this case which we were just discussing, expressly provides, in section 7, page 181, of the transcript of record:

Seventh. The court hereby expressly reserves for further consideration all questions as to the distribution of the proceeds of the sales of said stocks not herein expressly provided for.

The court having taken this subject under consideration, and with that express reservation, I think I should be excused from stating more definitely than I have been willing to do how those proceeds should be applied, or give any letter to that effect to this witness.

Mr. Chairman, with your permission I would like to make a few statements in answer to the testimony which has been given by Messrs. Hogan and Poole in regard to the Shipping Board deposits and Red Cross deposits.

It has been stated by Mr. Poole that the first business of the Federal National Bank with the Shipping Board was through Mr. William L. Soleau. I present as to this a letter which has been furnished me, as follows:

FEDERAL NATIONAL BANK OF WASHINGTON, D. C.

November 5, 1917.

DIVISION OF OPERATIONS, UNITED STATES

SHIPPING BOARD, EMERGENCY FLEET CORPORATION,

Washington, D. C.

GENTLEMEN: I beg to confirm conversation had with Mr. W. L. Soleau over the phone this morning, to the effect that we will allow this interest at the rate of 2½ per cent per annum, payable semiannually, on December 31 and June 30, or other dates if preferred, computed on the highest balance remaining undisturbed during each calendar month.

Trusting that we will be favored with a substantial account, we remain,

Very truly yours,

JOHN POOLE, *President.*

Mr. Chairman, here is a letter addressed to yourself as chairman of this committee from Mr. Soleau, which, with your permission, I will read into the record.

The CHAIRMAN. There are so few members of the committee present it is just as well to have it printed and read it later on.

(The letter referred to is as follows:)

WASHINGTON, D. C., July 22, 1919.

HON. GEORGE P. McLEAN,

Chairman Banking and Currency Committee,

United States Senate.

DEAR SIR: My attention has been called to certain statements which have been made before your committee at recent hearings on the confirmation of the Comptroller of the Currency, charging, insinuating, or implying that representations had been made by some one that deposits of the United States Shipping Board Emergency Fleet Corporation funds would be obtainable if a certain bank or banks should carry or agree to carry deposit balances with a certain bank in New York City.

During the period referred to—the latter part of the year 1917 or the early part of the year 1918—I was comptroller of the Division of Operations, United States Shipping Board Emergency Fleet Corporation, and as such, in conjunction with the assistant treasurer of the corporation, I had supervision or direction of the placing of funds in depository banks.

Please allow me to say that never at any time was any suggestion ever made by me or to my knowledge by any other officer or representative of the Shipping Board directly or indirectly to anyone that any deposit of the United States Shipping Board Emergency Fleet Corporation funds could be obtained through

the opening by any such depository banks of accounts with any other bank in Washington, New York, or elsewhere, and no suggestion or intimation of this sort ever reached my ears until I learned of the statements made before your committee recently by Messrs. Hogan and Poole.

All deposits were made without any promise or reference whatsoever on the part of any officer or representative of any of the banks receiving deposits of Emergency Fleet Corporation funds to carry any deposits with any other bank either in or out of Washington, D. C.

The statements and insinuations made by Messrs. Hogan and Poole in this connection, as far as my knowledge goes, are untrue and without foundation.

My attention has also been called to Mr. Poole's statement to the effect that he did not know where the funds of the Shipping Board were deposited when they were withdrawn from his bank. That statement is untrue, and I desire to certify that when it was decided by the Shipping Board, in consultation with the Treasury Department, that the funds which were being carried in the depository banks should be transferred to the United States Treasury I personally called upon several depository national banks, including the Federal National in Washington, and informed them that the funds were to be carried in the Treasury and arranged with each of them for the withdrawal of funds in equal installments at the rate of \$500,000 a week during the ensuing several weeks.

Very truly, yours,

W. L. SOLEAU.

MR. WILLIAMS. I next ask to have introduced into the record this letter, also addressed to yourself as chairman, from R. W. Bolling, assistant treasurer, I believe, of the United States Shipping Board, which is directly contradictory and denunciatory of the statements made by Mr. Poole before this committee upon the occasion of his appearance here.

(The letter referred to is as follows:)

UNITED STATES SHIPPING BOARD
EMERGENCY FLEET CORPORATION,
DIVISION OF OPERATIONS,
Washington, July 22, 1919.

HON. GEORGE P. McLEAN,
Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SIR: I have read the testimony given before the Banking and Currency Committee of the Senate on July 14, 1918, by Mr. John Poole, relative to a deposit made by the Division of Operations, United States Shipping Board Emergency Fleet Corporation, in the Federal National Bank on January 5, 1918, and his statements in that connection.

Mr. Poole testified that on January 5, 1918, I made a deposit with his bank of \$2,641,566.93; that seeing me in the bank he came out and invited me into his office and there had "quite a long talk with me"; that I told him formal request for the approval of the Federal National Bank had been made to the United States Treasury, and that I asked him "not to do or say anything over there," because I was certain this approval would be forthcoming in a day or two; that I mentioned that the letter requesting the approval of the bank was purposely antedated, which he says he assumes was done to meet certain formalities of the Fleet Corporation to cover the original deposit. He also testified that I went on to say that the Treasury was not aware that "the second deposit" of \$2,641,566.93, above referred to, "is being made to-day"; and that I discussed at some length the organization of the Shipping Board and the Fleet Corporation; that I then proceeded to speak of Mr. Ramsay, and said that "Mr. Ramsay is a good fellow, and it was only out of the goodness of Ramsay's heart that Ramsay consented to help both the Federal and Rolfe E. Bolling, mentioning the name; that he called on me and made the proposition that he had. Bolling said that Ramsay did this in a poor way, but that while he always means well, he frequently messes things up. Bolling asked that we do not at this time open an account with the Chatham-Phoenix National Bank. He would prefer that we would not do it; that it would not look right, if it was to be done at all, to be only at a time when we would want to do it, and that at least that should be done at some future date." He said that he then went on to speak of other local banks, and finally stated that I told him

that I thought that this account would "run fairly steady at \$3,000,000, not much under that, maybe considerably over, and that we would in all probability have use of the fund for a year at the lowest estimate."

In his testimony Mr. Poole also said: "No one has said anything to me at all about this proposition of opening an account with the Chatham-Phoenix National Bank, in New York, and thereby getting a deposit from the Fleet Corporation, except Ramsey. Bolling only spoke of it after I had been to Mr. Williams's office the second time, told Mr. Williams of this unusual proposition that had been submitted, and then Bolling told me of it, after he had made the big deposit of two millions six hundred-odd thousand, and suggested that I do not do this thing; that Ramsay was trying to help me and help Rolfe E. Bolling, his brother, but that it was very poorly stated, and a bad suggestion, and all, and do not do it." Continuing, Mr. Poole said, "I want to clear these two other men, because they had no part in it at all."

Senator Fletcher asked, "Did you tell Bolling of Ramsay's talk at all?" Mr. Poole replied, "Mr. Bolling broached that subject to me. I did not tell him of this or tell anybody else of it except the vice president of our bank."

Mr. Poole's entire version of the incidents as set forth above is largely a fabrication, and where it is not a fabrication it is a distortion of the actual facts. In the interest of perfect accuracy I wish very specifically and emphatically to deny the statement by Mr. Poole that I went with him into his private office on the occasion referred to, or on any other occasion, and "had a long talk" with him. As a matter of fact, I was never in his office in my life. Mr. Poole came up to me while I was standing at the receiving teller's window, and after the usual formal salutations of two comparative strangers, simply expressed his gratification at receiving the deposit from the Division of Operations; and after a very casual and general conversation of not more than a few minutes I left the bank. Mr. Poole, persisting in his inaccuracies, similarly makes a misstatement with respect to the deposit of January 5, 1918. The deposit which I was then making was not the "second deposit." The account was opened with the Federal National Bank on November 7, 1917, with a deposit of \$71,029.16, followed by deposits November 8, 1917, \$536,378.30; December 20, 1917, \$42,306.05; December 26, 1917, \$74,015.47; and on January 5, 1918, the \$2,641,566.93, the fifth deposit instead of the second.

Obviously no reference was made to antedating a letter asking approval of the Federal National Bank because of the fact that a formal letter from the treasurer of the Emergency Fleet Corporation to the Treasury Department relative to such approval was dated January 5, 1918, the very day the deposit referred to was made. This letter is now before your committee. The next letter asking approval was written to the Treasury Department on January 10, 1918, and was received by the Treasury Department on January 11 or 12, the day, or the day following the letter of Secretary Leffingwell to Chairman Hurley discussing the transfer of all funds of the United States Shipping Board from the banks to the United States Treasury.

I wish to very particularly and indignantly deny the assertion made by Mr. Poole to the effect that any reference was either then or any other time made to Mr. Ramsay or to the alleged consideration of a deposit by the Federal National Bank with the Chatham-Phoenix National Bank or with any other bank.

In conclusion I desire to repudiate with all the emphasis of which I am capable any intimation that I was aware of any alleged consideration, either direct or implied, for the deposits of the Division of Operations, United States Shipping Board Emergency Fleet Corporation.

Very respectfully, yours,

R. W. BOLLING.

Mr. WILLIAMS. I also beg leave, Mr. Chairman, to submit here a letter, also addressed to yourself, from George W. White, president of the National Metropolitan Bank, of Washington, contradicting the statements which were also made before this committee by Mr. Hogan or Mr. Poole in their recent testimony.

The CHAIRMAN. In what particular?

Mr. WILLIAMS. I will be very glad to read it.

The CHAIRMAN. You might read that one, as it is brief.

Mr. WILLIAMS. This letter states:

NATIONAL METROPOLITAN BANK OF WASHINGTON,
Washington, D. C., July 22, 1919.

HON. GEORGE P. MCLEAN,

Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SIR: In reference to the Shipping Board Emergency Fleet Corporation funds deposited with us, would say that the deposit came to us entirely unsolicited. We were not pledged or bound, and no reference was made whatever to opening accounts with other banks in consideration of the deposit.

We have had an account with the Chatham-Phoenix National Bank and its predecessors for the last 35 years, to my knowledge, and I believe previous to that; but since 1885 I can say positively.

The statement which I have read in Mr. Poole's testimony before the Banking and Currency Committee on Monday, July 14, 1919, in which he says that he had been informed "that the Metropolitan did open an account with the Chatham-Phoenix National Bank with the understanding that they—the Metropolitan—would receive a large deposit from the Fleet Corporation, and the transaction worked out exactly as agreed upon," was wholly untrue by whomsoever made. There were no conditions of any kind whatsoever relative to the making of deposits with the Chatham-Phoenix National Bank or with any other bank in connection with it as a consideration for the opening of the Shipping Board account with our bank.

Very truly, yours,

GEO. W. WHITE,
President.

Now, Mr. Chairman and gentlemen, at the previous hearing some question arose as to the withdrawal of deposits from the local depositaries by the Shipping Board, and Mr. Poole stated that he did not know what was done with the deposits, as I recall, when they were taken out, said something had been said about putting them in the Treasury. The letter which has been submitted in evidence shows, if I recall correctly, that Mr. Soleau distinctly states that he made it a point to call upon the Federal National Bank and inform them what the exact situation was, and that the deposits were to be withdrawn from his bank and from all other banks and to be deposited in the United States Treasury.

Here is a copy of a letter addressed to the Treasurer of the United States:

MARCH 2, 1918.

TREASURER OF THE UNITED STATES,
Washington, D. C.

DEAR SIR: Please find inclosed herewith checks Nos. 1456, 1457, 1458, and 1459, each for \$500,000, drawn on the Federal National Bank, the District National Bank, the National Metropolitan Bank, and the Commercial National Bank.

These checks are the initial deposits, under the arrangement for your becoming the commercial banker of the Division of Operations, United States Shipping Board Emergency Fleet Corporation, under the agreement between the Secretary of the Treasury and the United States Shipping Board, as per letters from the Secretary of the Treasury of February 6 and of the president of the corporation of February 28.

R. W. BOLLING,
Assistant Treasurer.

Showing that they were drawn in equal amounts from the four depositary banks at the same time.

The CHAIRMAN. I do not understand that Mr. Poole stated any reason for the withdrawal. He simply stated the fact.

Mr. WILLIAMS. I think his implication was that it was done unfairly.

The CHAIRMAN. I do not think he stated any conclusion of his own. He stated the fact that they were withdrawn without explanation. It might be inferred.

Mr. WILLIAMS. Here is the explanation. Here is a letter from the Division of Operations, United States Shipping Board, dated April 27, 1918:

UNITED STATES SHIPPING BOARD,
EMERGENCY FLEET CORPORATION,
DIVISION OF OPERATIONS,
Washington, April 27, 1918.

Mr. GEORGE R. COOKSEY,

Assistant to the Secretary of the Treasury, Washington, D. C.

DEAR SIR: Complying with your request, I beg to advise that all the bank accounts of the Division of Operations, United States Shipping Board, Emergency Fleet Corporation, have been closed, and that all the funds of this division are now deposited in the Treasury.

Very truly, yours,

R. W. BOLLING,
Assistant Treasurer.

Mr. Chairman and gentlemen, at the hearing a few days ago a member of this committee, if I recall correctly, expressed a desire to be advised as to the proportion in which the United States deposits had been or were being made with the local national banks in Washington, in order that you might see and determine definitely whether or not the charge of the Federal National Bank that they were being discriminated against had any foundation. I instructed the statistical department of the comptroller's office to take the last sworn statements of condition, made by all the national banks in Washington at each call for the past six months, the call of June 30, 1919, of May 12, 1919, and of March 4, 1919, and to show how much Government funds or United States deposits were being carried at the time of each call with each of the 14 national banks of the District of Columbia.

The **CHAIRMAN.** This is for the purpose of contradicting whom?

Mr. WILLIAMS. For the purpose of disproving the charge that the Federal National Bank was being discriminated against, and to answer an inquiry of a member of the committee.

The **CHAIRMAN.** During the last six months was that claim made?

Mr. WILLIAMS. I understood that it was right along.

The **CHAIRMAN.** How long has Mr. Glass been Secretary of the Treasury?

Mr. WILLIAMS. I think something over six months.

The **CHAIRMAN.** My recollection is that there was no criticism of deposits within the last six months, or recently.

Mr. WILLIAMS. I understood that it did apply to recently. But I shall be pleased to go back as far as you like.

The **CHAIRMAN.** I do not know. I was not the Senator who asked for the information.

Mr. WILLIAMS. My recollection is that it was Senator Calder or Senator Newberry; I am not certain. But, anyhow, I prepared this statement here, and I should like to call your attention to how it works out. "June 30, 1919, the resources of the national banks—giving the even millions—"

The **CHAIRMAN** (interrupting). I do not think it is important at all.

Mr. WILLIAMS. The figures, I think, are rather instructive.

The **CHAIRMAN.** You can have them put in the record.

Mr. WILLIAMS. I should like to comment very briefly on them, if I might be permitted to do so.

The CHAIRMAN. Certainly, if you wish to.

Mr. WILLIAMS. The resources of the national banks, June 30, 1919, were \$112,000,000. Total of all United States deposits, including postal deposits, and so forth, \$8,276,000. The per cent of United States to total resources was 7.34 average.

Mr. Poole's bank was carrying a percentage of 8.14, about 11 per cent more than the average, and the average percentage of deposits to resources was about twice as high as in the case of five other national banks at that time.

On May 12, 1919, the resources of the national banks were \$113,000,000. The total United States deposits, including postal, were \$3,824,000. The average was 3.38 per cent. Mr. Poole's bank was carrying 4.63 or 36 per cent above the average of all, while his percentage was five times as high as the percentage carried by five other national banks.

On March 4, 1919, the resources of the national banks of the District were \$116,000,000. The total United States deposits, including postal deposits, were \$3,900,000. The average was 3.35 per cent of their resources in Government deposits, while the Federal National Bank was carrying a percentage of 5.4, against an average of all of 3.35. In other words, at that time the percentage, on March 4, 1919, of the Federal National Bank was 60 per cent above the average percentage of all the other national banks of the District, or five times as high as five of the other national banks, showing that if there was any discrimination, it was largely in his favor: and if there is no objection, I would like that table, not a very long one, to be included in the record.

(The table referred to is as follows:)

Total United States deposits, including postal-savings deposits, and total resources, etc., national banks District of Columbia, as shown by reports of condition for dates indicated.

Name of bank.	June 30, 1919.			May 12, 1919.		
	Total all United States deposits, including postal, etc.	Total resources of bank.	Per cent of United States deposits to total resources.	Total all United States deposits, including postal, etc.	Total resources of bank.	Per cent of United States deposits to total resources.
Riggs National.....	\$2,590,920.74	\$28,365,670.61	9.13	\$1,627,411.00	\$27,615,601.76	5.89
Commercial National....	1,733,322.90	17,423,695.06	10.24	831,581.58	16,044,927.58	5.18
National Metropolitan...	789,700.65	11,930,604.08	6.62	363,833.42	12,382,002.67	2.94
National Bank of Washington	433,000.00	10,354,873.45	4.18	1,000.00	11,121,592.11	.01
District National.....	635,156.30	8,398,526.22	7.56	234,351.41	8,597,576.22	2.73
Federal National.....	493,585.54	6,139,331.82	8.14	292,888.62	6,320,070.52	4.63
American National.....	261,728.22	5,875,219.67	4.45	51,815.72	6,233,119.21	.83
Lincoln National.....	240,000.00	5,703,726.34	4.21		5,574,108.68	
Second National.....	173,333.89	4,333,185.16	4.12	24,771.33	4,444,877.42	.56
Farmers' National.....	205,791.40	3,588,705.50	5.73	40,937.85	3,894,586.47	1.05
Farmers' & Mechanics National.....	285,400.56	3,236,815.72	8.86	106,110.00	3,050,330.69	6.43
Columbia National.....	162,498.69	3,219,796.75	5.05	26,300.77	3,765,243.05	.70
National Capital Bank...	74,000.00	2,155,073.82	3.53	66,525.20	2,254,682.03	2.95
DuPont National.....	124,220.11	1,857,257.00	6.69	66,573.13	1,876,328.93	3.55
Total.....	8,276,726.00	112,644,492.20	7.34	3,824,000.03	113,175,056.34	3.38

Total United States deposits, including postal-savings deposits, and total resources, etc.—Continued.

Name of bank.	Mar. 4, 1919.		
	Total all United States deposits, including postal, etc.	Total resources of bank.	Per cent of United States deposits to total resources.
Riggs National.....	\$1,309,264.94	\$28,716,376.37	4.56
Commercial National.....	1,119,746.84	17,467,921.54	6.41
National Metropolitan.....	333,050.89	11,267,109.54	2.96
National Bank of Washington.....	1,000.00	11,399,312.28	.01
District National.....	320,420.35	9,207,034.36	3.48
Federal National.....	347,608.84	6,432,403.07	5.40
American National.....	61,376.44	6,250,652.79	.98
Lincoln National.....	46,253.93	5,581,677.82	.83
Second National.....	26,895.31	4,304,805.72	.62
Franklin National.....	46,995.51	3,833,363.49	1.22
Farmers' & Mechanics' National.....	137,000.00	2,609,020.55	5.25
Columbia National.....	25,868.51	4,163,520.67	.62
National Capital Bank.....	54,804.31	2,150,836.73	2.55
Dupont National.....	71,018.71	2,527,490.67	2.51
Total.....	3,901,334.58	116,211,725.60	3.35

Mr. WILLIAMS. I will state, Mr. Chairman, that I had been advised that I would probably have here to present to you at this hearing a letter from the president of the Chatham-Phoenix National Bank contradicting the references made by Mr. Poole or Mr. Hogan as far as his, the Chatham-Phoenix National Bank, of New York, was concerned. It has not come in, but I presume it will be ready at the next hearing to present to you.

Now, Mr. Chairman, shall we go on now, or would you prefer to adjourn?

The CHAIRMAN. I prefer to go on, if you are willing. But I leave it entirely with you, under the circumstances.

Mr. WILLIAMS. I do not want to tax you too much. With your permission. Mr. Chairman and gentlemen, I will undertake to answer, first, some of the statements which were made by Mr. Hogan in his testimony before this committee relative to the circumstances under which the United States Trust Co. was taken over in the fall of 1917 by the Munsey Trust Co. of this city.

Mr. Hogan speaks of the incident as the failure of the United States Trust Co. It is exceedingly fortunate for the financial interests of Washington, as well as for the financial interests of the country generally, that there was no failure of the United States Trust Co. at that time. The financial atmosphere was surcharged in the fall of 1913, and I might say that we were almost in a condition of a perilous equilibrium. A failure of a trust company of that size in the city of Washington, with more than 40,000 depositors, might have had an exceedingly far-reaching and disastrous effect upon our whole financial structure if it had been permitted to take place. The failure was avoided, and just in the nick of time, and through the constructive work and the energy and the efficient action of the Munsey Trust Co. the perilous situation was bridged over.

The taking over of that trust company, I think, took place about the 22d of November, 1913, and public confidence was being restored.

It had been badly shaken and had been very nervous. Things were still looking a little squally, because it was realized how near we had come to a bad bank failure in Washington, a failure which would have happened if it had not been for the prompt and vigorous action of the Secretary of the Treasury in agreeing, at midnight of the 21st or 22d of November to advance, if necessary, a million dollars to facilitate that operation.

The fact that I, as Assistant Secretary of the Treasury at that time, had recommended and approved of the utilization of the public funds by a deposit in the national banks for the purpose of preventing that disaster, was made the object of attack and criticism by certain people for the alleged reason that one of my brothers was or had been a director in the Munsey Trust Co., the corporation which came forward and saved the day, with the aid of the Government.

About 10 days or 12 days after the Munsey Trust Co. had taken over the United States Trust Co. a New York newspaper, the Tribune, began a series of vicious and slanderous articles, insinuating that my part in the transaction was open to criticism, because, as I understand, my brother, who had been or was a director of the Munsey Trust Co., had been energetic in endeavoring to save that situation.

The publication by the Tribune of those articles was proving very disturbing to the financial situation in Washington, and they were put forward in a sensational way which was adversely affecting the Munsey Trust Co., because Mr. Munsey was also being charged by the Tribune with failing to carry out completely the engagements which he had entered into, or which he was alleged to have entered into, in connection with the taking over of the United States Trust Co. To be a little more explicit, I think they charged that Mr. Munsey had promised that if the Government would provide, through the national banks of the city, a deposit with his corporation of a million dollars in that emergency, he would arrange to have half a million dollars brought over from outside to build up the reserves of his trust company, and to assist in paying expeditiously such demands as might be made by the depositors. And the charge was made that he delayed or procrastinated in making that deposit. As a matter of fact, the testimony before this committee shows that those charges against Mr. Munsey are most unjust, an instead of bringing over a half a million dollars during that period, as I recall, he brought over a million or more to aid and assist in restoring confidence to the situation.

Now, Mr. Chairman, the question of the propriety of whatever part I had in those transactions was discussed and passed upon by this committee, of which you were a member at that time, and after summoning before the committee all the witnesses that you desired to summon, and ascertaining what the true facts were, my nomination was favorably reported by the committee. But, as this incident has been resurrected by Mr. Hogan, and has been misstated and distorted by him, I think it only fair that I should place in this record certain portions of the record made in February, 1914, which show the falsity and unfairness of the statements made in this connection by Mr. Hogan.

The statements, Mr. Chairman, made by the Tribune articles, to which Mr. Hogan referred, implied that there had been some kind of

favoritism exercised by the Assistant Secretary of the Treasury in connection with the deposit of the \$1,000,000 fund with the national banks at that time, which was turned by the national banks over to the Munsey Trust Co., that the Munsey Trust Co. had been favored and that other companies had not been given a fair chance of absorbing the United States Trust Co.

On page 11 of the hearings of 1914 you will find this:

The following is a copy of a letter from Hon. W. R. Merriam, formerly governor of Minnesota, and at one time Director of the Census, who is now a resident of this city, and a director in the Continental Trust Co., of Washington. Gov. Merriam was a member of a committee of three, composed of ex-Senator Scott, president of the Continental Trust Co., President Galliher, of the American National Bank, and himself, which called on Assistant Secretary Williams of the Treasury Department before the acquisition of the United States Trust Co. by the Munsey Trust to discuss the taking over of the United States Trust Co. by the Continental.

WASHINGTON, D. C., December 5, 1913.

HON. JOHN SKELTON WILLIAMS,

Assistant Secretary of the Treasury, Washington, D. C.

DEAR MR. WILLIAMS: I read the article in the New York Tribune of to-day and yesterday purporting to be a statement of facts in connection with the acquisition some days ago of the United States Trust Co., of Washington, by the Munsey Trust Co., also of this city.

The article is misleading, intending to reflect upon the officials of the Treasury Department, and is evidently inspired by a desire to question the good faith and the integrity of the officers of the Government who endeavored to render a signal service to the banking interests of Washington as well as to its citizens.

The writer, who is interested in the Continental Trust Co., of this city, was one of the committee of three of the board of directors of that institution selected to visit you on Friday, the 21st of November. The committee, consisting of Nathan B. Scott, president of the Continental Trust Co.; Mr. Galliher, president of the American National Bank, and the writer, was deputed by the board of directors to learn the views and wishes of your department regarding a possible merger of the United States Trust Co., and also to ascertain the attitude of the officials of the Treasury Department looking to aid the United States Trust Co. in the way of advancing funds in case the situation became sufficiently serious to warrant substantial assistance.

You advised us that under the law the Treasury could deposit no Government funds in trust companies, but that in case of necessity it could and would deposit United States funds to large amounts in certain National banks named by us, provided always that the securities offered were entirely satisfactory to the proper authorities. You manifested an earnest desire to do anything within your power to ward off a possible disaster to the banking interests of the city, and evinced a desire that prompt action might be taken.

You also expressed the hope that there might be competition among the banking institutions of the city looking to the acquisition by purchase or merger of the United States Trust Co., by or with a solvent trust company, in order that the stockholders as well as the depositors of the United States Trust Co. might receive the fullest benefits.

The matter of the acquisition by the Continental Trust Co. of the United States Trust Co. was under consideration all day Friday, the 21st, and also late Friday evening, but as no plan could be evolved satisfactory to all concerned, the representatives of the United States Trust Co. were left to deal with Mr. Munsey, who, it was understood, was ready to assume the liabilities and take over the assets of the United States Trust Co., and provide the necessary funds to meet any demands by the depositors when the bank and its branches were opened on Saturday evening.

I learned later that the clearing-house banks of this city, acting in unison, offered to receive deposits from the Government to the extent of \$1,000,000 prorated among the national banks, and to have the funds paid directly to the Munsey Trust Co. as soon as satisfactory securities were deposited in the hands of the Treasurer of the United States. I also learned from one of your aids that the arrangement was carried out exactly as agreed upon by the bankers themselves.

Mr. WILLIAMS. The point is not so much what they did with that money, as it was Mr. Ailes getting that money out of the Federal Treasury for the Riggs Bank five days before he resigned to become vice president of that bank.

The CHAIRMAN. I do not understand you to complain that it was an unusual thing. It was proper for the Government, I suppose, to deposit money somewhere, and it was not customary for the banks to pay interest at that time. What was there unusual about it?

Mr. WILLIAMS. Secretary McAdoo's statement, which I have just read, was:

The proportion of Government funds to total deposits and to the then capital and surplus of the bank (\$900,000) was grossly abnormal and unprecedented.

And the point is that there was a gross discrimination by the Treasury, of which Mr. Ailes was at that time Assistant Secretary, in favor of the Riggs Bank, by whom he was employed as an officer five days after he had quit the Treasury, and it is unnecessary for me to comment at this time upon what the relationship may have been between the ability of the Riggs Bank to obtain from the Treasury at that particular time that \$2,900,000 and his employment by the bank. I do not care to, and it is unnecessary for me to comment upon that. Those are facts that speak for themselves.

Secretary McAdoo's affidavit continues:

During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874.

While the Riggs Bank was enjoying special deposits, without interest, amounting to ten times the amounts which were being carried by all the other banks in Washington combined.

Secretary McAdoo's affidavit, continuing, says:

The average of Government funds on deposit with the plaintiff bank from the time the said Ailes became connected with the bank, in April, 1903, until March, 1907, was \$2,018,957.

As I understand it, those four years, an average of over \$2,000,000 of deposits, bearing no interest.

At the time Mr. Ailes became vice president of the plaintiff bank he also became and has ever since remained the salaried representative of the National City Bank of New York in Washington. During all of said period and until I assumed office the regular Government deposits were carried in national banks without interest. From 1899 to 1908 the average daily deposits of Government funds in all the national banks of the United States was \$113,170,208 and the average capital and surplus of all such banks was \$5,665,459,635.91, as appears from the accompanying table, marked "Exhibit E-1," which is hereby embodied in this affidavit as a part thereof.

Now, Mr. Chairman, this witness who appeared against my confirmation on the ground that there was some favoritism or some discrimination of some sort connected with deposits with all the national banks of Washington of a million dollars for the purpose of protecting a situation which had become exceedingly dangerous, this individual, as I say, who made those criticisms of the action of the Treasury Department, is the same man who resigned as Assistant Secretary of the Treasury five days before the Riggs Bank got this \$2,900,000 of deposits, a large portion of which remained with them for years.

The CHAIRMAN. Have those Tribune articles been printed in the record?

Mr. WILLIAMS. Two of them, I think, are printed in Secretary McAdoo's affidavit.

The CHAIRMAN. I do not recollect that they have been introduced into this record.

Mr. WILLIAMS. The two Tribune articles were in Secretary McAdoo's affidavit, and are embodied in the February, 1919, hearings.

Mr. Chairman and gentlemen, I ask your attention to Exhibit D, on page 548 of the hearings of February, 1919, showing month by month the public funds deposited with the Riggs National Bank, from March 21, 1903, to July 2, 1914.

(The table referred to is as follows:)

EXHIBIT D.

Public funds deposited with the Riggs National Bank of Washington, D. C., Mar. 21, 1903, to July 2, 1914, inclusive.

	1903		1904		1905		1906	
	Date.	Amount.	Date.	Amount.	Date.	Amount.	Date.	Amount.
January.....				\$3,000,000		\$1,575,000	6	\$1,276,000
February.....				3,000,000		1,575,000	3	1,114,000
March.....	21	\$100,000	31	2,400,000		1,575,000	10	952,000
April.....	11	3,000,000		2,400,000		1,575,000	7	790,000
May.....		3,000,000	14	2,100,000	6	2,195,000	21	1,000,000
June.....		3,000,000		2,100,000	20	2,803,000	5	2,370,000
July.....		3,000,000		2,100,000	8	2,641,000		2,370,000
August.....		3,000,000		2,100,000	27	2,248,000	7	2,233,000
September.....		3,000,000		2,100,000	5	2,088,000	11	2,096,000
October.....		3,000,000		2,100,000	5	1,924,000	8	1,959,000
November.....		3,000,000	30	2,100,000	7	1,782,000	6	1,822,000
December.....		3,000,000		1,575,000	4	1,600,000	10	1,685,000
		3,000,000		1,575,000	9	1,438,000	8	1,548,000
Average daily balance.....		2,785,964		2,311,491		1,910,849		1,696,380

	1907		1908		1909		1910	
	Date.	Amount.	Date.	Amount.	Date.	Amount.	Date.	Amount.
January.....	12	\$1,411,000	11	\$1,540,000	23	\$363,000	15	\$149,000
February.....	9	1,274,000	8	1,315,000	13	229,000	19	50,000
March.....	9	1,137,000	7	1,203,000	6	140,000	12	1,000
April.....	30	1,000,000	14	1,083,000				
May.....		1,000,000	31	903,000				
June.....		2,125,000		903,000	10	50,000		1,000
July.....	11	2,125,000	9	1,319,000	8	1,040,000	14	310,000
August.....			29	1,346,000			21	619,000
September.....							31	947,000
October.....		2,125,000		1,346,000		1,040,000	4	1,236,000
November.....	6	2,013,000	11	1,257,000	17	842,000	16	927,000
December.....			18	986,000				
January.....	10	1,909,000	4	897,000	21	644,000	20	619,000
February.....	7	1,788,000	5	807,000	25	545,000	17	495,000
March.....	5	1,675,000	10	718,000	16	446,000	22	372,000
April.....	23	1,563,000	7	628,000	20	347,000	19	218,000
May.....	14	1,653,000	5	539,000	18	248,000	17	125,000
June.....			31	443,000				
Average daily balance.....		1,652,043		1,204,049		529,821		438,482

*Public funds deposited with the Riggs National Bank of Washington, D. C.
Mar. 21, 1903, to July 2, 1914, inclusive—Continued.*

	1911		1912		1913		1914	
	Date.	Amount.	Date.	Amount.	Date.	Amount.	Date.	Amount.
January.....	21	\$1,000	20	\$89,000	14	\$81,400	16	\$365,400
February.....		1,000	17	1,000	30	181,400		
March.....		1,000		1,000	14	100,000	14	232,200
April.....		1,000		1,000		100,000	16	99,000
May.....	20	293,000	18	269,000	15	412,366		89,780
	31	877,000	25	537,000	26	700,924		91,387
			31	805,000				
June.....		877,000		805,000	5	1,020,000		92,388
					16	1,327,000		
July.....	15	702,000	15	644,200	15	1,082,000		194,594
August.....	19	526,000	15	483,400	15	959,000		
September.....	16	439,000	14	403,000	15	837,000		
October.....	14	351,000	14	322,600	15	756,000		
November.....	18	264,000	14	242,200	17	672,000		
December.....	16	176,000	14	161,800	15	509,000		
Average daily balance.....		334,093		312,079		549,137		188,540

¹ Discontinued as a depository July 2, 1914 (2 days).

Average daily deposit for entire period, Mar. 21, 1903, to July 2, 1914, \$1,227,611.

Mr. WILLIAMS. I will also ask your attention to Exhibit E, same affidavit, showing the public deposits in the National City Bank of New York by months from the date of its designation as a depository, July 21, 1894, to the date of its discontinuance, May 31, 1913.

(The table referred to is as follows:)

EXHIBIT E.

Public deposits in the National City Bank of New York, by months, from date of its designation as a depository, July 21, 1894, to date of its discontinuance, May 31, 1913.

	1894	1895	1896	1897	1898
January.....		\$200,000	\$180,000	\$200,000	\$200,000
February.....		2,809,000	6,901,000	200,000	11,902,000
March.....		2,399,000	5,744,000	200,000	10,281,000
April.....		2,399,000	3,384,000	200,000	9,931,000
May.....		2,399,000	2,969,000	200,000	9,931,000
June.....		2,399,000	2,045,000	200,000	9,931,000
July.....		180,000	200,000	200,000	10,528,000
August.....		180,000	200,000	200,000	11,494,000
September.....	\$100,000	180,000	200,000	200,000	11,503,000
October.....	100,000	180,000	200,000	200,000	12,262,000
November.....	100,000	180,000	200,000	200,000	13,999,000
December.....	200,000	180,000	200,000	200,000	14,020,000
Average daily deposit.....	125,000	1,140,000	1,868,000	200,000	10,497,000

	1899	1900	1901	1902	1903
January.....	\$16,248,000	\$16,490,000	\$14,330,000	\$15,837,000	\$15,837,000
February.....	15,993,000	17,801,000	14,330,000	15,837,000	15,837,000
March.....	17,508,000	17,745,000	14,330,000	15,837,000	15,837,000
April.....	16,654,000	17,745,000	14,426,000	15,837,000	12,937,000
May.....	14,799,000	17,745,000	14,916,000	15,837,000	12,937,000
June.....	12,404,000	16,946,000	14,468,000	15,837,000	12,934,000
July.....	10,654,000	15,162,000	14,330,000	15,837,000	12,919,000
August.....	11,310,000	14,545,000	14,309,000	15,837,000	12,919,000
September.....	13,739,000	14,489,000	14,412,000	15,837,000	12,919,000
October.....	13,739,000	14,395,000	15,019,000	15,837,000	12,937,000
November.....	13,739,000	14,330,000	15,837,000	15,837,000	12,937,000
December.....	14,152,000	14,330,000	15,832,000	15,837,000	12,937,000
Average daily deposit.....	14,244,000	15,977,000	14,714,000	15,837,000	13,657,000

Public deposits in the National City Bank of New York, by months, from date of its designation as a depository, July 21, 1894, to date of its discontinuance, May 31, 1913—Continued.

	1904	1905	1906	1907	1908
January.....	\$12,937,000	\$7,241,000	\$2,895,000	\$3,595,000	\$15,872,000
February.....	13,223,000	6,943,000	2,895,000	3,470,000	12,135,000
March.....	14,520,000	6,065,000	3,270,000	3,395,000	9,285,000
April.....	18,476,000	5,785,000	9,645,000	5,395,000	9,285,000
May.....	13,722,000	5,098,000	14,520,000	5,395,000	5,679,000
June.....	7,714,000	4,340,000	5,520,000	5,395,000	3,864,000
July.....	7,714,000	3,367,000	4,020,000	5,145,000	2,220,000
August.....	7,714,000	2,895,000	2,895,000	4,895,000	2,220,000
September.....	7,714,000	2,895,000	8,691,000	4,945,000	2,220,000
October.....	7,714,000	2,895,000	13,136,000	5,345,000	2,220,000
November.....	7,714,000	2,895,000	4,070,000	14,020,000	2,220,000
December.....	7,714,000	2,895,000	3,495,000	16,416,000	2,220,000
Average daily deposit.....	10,573,000	4,442,000	6,254,000	6,450,000	5,786,000

	1909	1910	1911	1912	1913
January.....	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
February.....	250,000	250,000	250,000	250,000	400,000
March.....	250,000	250,000	250,000	250,000	400,000
April.....	250,000	250,000	250,000	250,000	400,000
May.....	250,000	250,000	250,000	250,000	400,000
June.....	250,000	250,000	250,000	250,000	(¹)
July.....	250,000	250,000	250,000	250,000	.....
August.....	250,000	250,000	250,000	250,000	.....
September.....	250,000	250,000	230,000	250,000	.....
October.....	250,000	250,000	250,000	250,000	.....
November.....	250,000	250,000	250,000	250,000	.....
December.....	250,000	250,000	250,000	250,000	.....
Average daily deposit.....	250,000	250,000	250,000	250,000	370,000

¹ Discontinued at its own request. May 31, 1913.

Average daily deposit from date of initial public deposit—September, 1894—to date of discontinuance as a public depository—May 31, 1913, \$6,513,812.

Mr. WILLIAMS. I think I will forbear further comment upon that incident and the criticism from that particular source.

Mr. Hogan, in his testimony a few days ago, made very unfair and incorrect statements in connection with the forms of receipt which it was claimed national banks were requested to give in connection with the deposit of the \$1,000,000 of public funds with the Munsey Trust Co., or with the national banks for the Munsey Trust Co., in November, 1913. That point, it seems, had been brought up by someone in the February, 1914, hearings, and on page 131 of the February, 1914, hearings I made a statement which I think fully covers and explains that incident:

Mr. WILLIAMS. There is one point I wish to refer to, and that is the blue-printed papers that Mr. Flather has referred in regard to the crop-moving funds. The statement was that the money was put up out of crop-moving funds. The explanation is that we had a worked-out plan and some blanks to be filled out by the custodian of the Treasury and bonding officer, etc., which we are using in connection with the crop-moving fund—that system of blanks we have providing for the signatures of a committee which passes upon the securities.

We did not ask them; we did not desire or care for them to obligate themselves again. The paper which was prepared by the solicitor covered the cases absolutely. It was more formal than many of the applications which have come in for crop-moving funds, but when the deposit is made we have a system of arranging for the exchange of securities, and those particular papers did not refer to the application of crop-moving funds primarily, but to the system for exchange of collateral; that was all. The Treasury Department needed nothing. It is a broad, formal application, a supply of which it had. They were all complete and they were intact, and the only thing that was desired there was

to use that same machinery or method in which the committee would improve the securities and would pass it on to the custodian, and we thought we could, with perfect propriety, use those printed forms. It did not refer to the deposit of a single dollar anywhere; the money had been put up long before the Treasury Department had put this up to them to provide a means for the exchange of collateral. It was necessary to provide the machinery for the exchange of the collateral, and it was simply a plan or method to cover that point, and that only.

The CHAIRMAN. You use some general blanks so as to save making up special blanks.

That ended that discussion. As matter of fact, before one dollar was put up by the Treasury the Treasury had obtained the signatures of all the banks in Washington, giving it full protection.

On page 17, February, 1914, hearings, you will find this statement—

The CHAIRMAN. By whom?

Mr. WILLIAMS. By me.

At 1 o'clock Saturday morning, after midnight, a meeting of the clearing-house banks was held at the Shoreham Hotel. All the bankers present agreed to the proposed arrangement, I am told, except Mr. Flather, of the Riggs National Bank, who declined to agree without consultation with Mr. Glover, its president.

I will also mention just at this point that I am advised that when the Riggs National Bank's representative did decline in that emergency that night to put up its pro rata of the funds without going to consult Mr. Glover or some one else, the executive officer of the Commercial National Bank spoke up at once and said they would take his portion, so as to insure the carrying out of the arrangement and save the situation, without any chance or hazard of waiting upon Mr. Glover. [Continuing reading:]

Other banks consented to take the \$90,000 assigned to the Riggs, in case of its refusal, but Mr. Glover subsequently consented that that bank should take its share. Solicitor Elliott, of the comptroller's office, was present, representing the Treasury Department. I, with the authority of the Secretary of the Treasury, was telephoned to and confirmed the advance of the \$1,000,000 to the national banks. Mr. Elliott drew up the formal application of the bankers, which all signed, as follows—

Mr. Chairman, with your permission, I will just insert that without my reading it—or shall I read it?

The CHAIRMAN. It is all right to insert it without reading it; but if you consider it important—

Mr. WILLIAMS. If you think it is important, I will read it.

The CHAIRMAN. I do not think it is important—any of it.

(The matter requested by Mr. Williams to be inserted in the record is as follows:)

The SECRETARY OF THE TREASURY,
Washington, D. C.

SIR: We, the undersigned national banks of Washington, hereby make application for deposit of \$1,000,000, to be secured by bonds or other securities acceptable to the Secretary, to be delivered to the Secretary on the morning of November 22.

And we further request that this sum be delivered to the Munsey Trust Co. and charged to the account of the undersigned national banks in the amounts indicated, the Munsey Trust Co. having furnished securities and deposits to be made by the several undersigned banks with said company in the same amounts.

Respectfully,

The National Bank of Washington, by Clarence F. Norment, president.	\$90,000
The Riggs National Bank, by William J. Flather, vice president.	90,000
Federal National Bank, by John Poole, president.	90,000

District National Bank, by Robert N. Harper, president.....	90,000
National Metropolitan Bank, by George W. White, president.....	90,000
Commercial National Bank, by A. G. Clapham, president.....	90,000
Columbia National Bank, by A. F. Fox, president.....	100,000
The Farmers' & Mechanics' National Bank of Georgetown, by William King, president.....	90,000
The Second National Bank, by William V. Cox, president.....	90,000
The National Capital Bank, by Thomas W. Smith, president.....	90,000
The American National Bank of Washington, W. T. Galliher, president..	90,000

This order was delivered to me at the Treasury Department at 8.15 o'clock Saturday morning by Mr. Flather, president of the clearing house. At the same time securities for the \$1,000,000 to be deposited with the 11 national banks were presented by representatives of the Munsey Trust Co.

On receipt of the securities I gave the following order on the Treasurer:

NOVEMBER 22, 1913.

TREASURER OF THE UNITED STATES,
Washington.

SIR: Please pay to the order of the—

National Bank of Washington.....	\$90,000
The Riggs National Bank.....	90,000
The Federal National Bank.....	90,000
District National Bank.....	90,000
National Metropolitan Bank.....	90,000
Commercial National Bank.....	90,000
Columbia National Bank.....	100,000
Farmers' & Mechanics' National Bank.....	90,000
Second National Bank.....	90,000
National Capital Bank.....	90,000
American National Bank.....	90,000

Respectfully,

JNO. SKELTON WILLIAMS,
Assistant Secretary.

This order bears the following indorsement:

I hereby certify that various securities, including bonds, commercial paper, and collateral loans having a face value of \$1,610,311.94 were duly received by me on November 22, 1913, checked over, and deposited in the Treasury vaults as security for the Government's deposits of cash to the aggregate amount of \$1,000,000 with the within-mentioned 11 national banks.

W. S. ELLIOTT,
Vault Clerk, Bond Division.

That shows the disingenuousness of the charge made by Mr. Hogan to the effect that there had been no assent in the matter of protecting the Government or getting the proper form of receipt before deposit of the money.

Mr. Chairman and gentlemen, Mr. Hogan also gave us a very distorted and incorrect statement of the incident which happened early in 1913 when an employee of the National City Bank or the Riggs National Bank, or both—whatever it was—was found to be occupying a desk in the office of the then Comptroller of the Currency, for the purpose of collating and compiling certain information from bank reports which were being received five times a year.

The CHAIRMAN. Have we not gone into that?

Mr. WILLIAMS. I have not had the opportunity of answering the misstatements made by Mr. Hogan.

The CHAIRMAN. Very well.

Mr. WILLIAMS. Mr. Hogan enlarges at considerable length upon his claim that the statement of the Secretary of the Treasury to the effect that this clerk had been expelled from the Treasury was incorrect. As a matter of fact, Secretary McAdoo's statement in

that respect was exactly right. His statement to the press announcing that she had been expelled was the expulsion from the office in the Treasury which she had been occupying for several years, for certain periods of each year.

It subsequently developed that while she was expelled, or left the office in the Treasury which she had been occupying she had some other work in connection with the Riggs Bank or the City Bank which involved her visiting at certain hours of the day or certain days one of the offices in the basement of the Treasury where national-bank notes are destroyed, as the representative of certain banks.

The Secretary of the Treasury, as far as I recall, knew that she had this other employment in the basement of the Treasury for certain hours in connection with watching the destruction of bank notes, but the Secretary's statement that she had been expelled from the office of the comptroller was absolutely and literally correct.

Here is a statement which was made on page 105 of the hearings of February, 1914, on that subject:

Senator HOLLIS. Now, will you please tell the committee about the incident about Miss Taylor, and what you did about that?

Mr. WILLIAMS. Secretary McAdoo sent to my office an anonymous communication received by him charging that the National City Bank was getting special information from the comptroller's office. I thereupon made an investigation of the matter and found that the statements made by this anonymous writer, whom I did not know, were pretty well founded, and the result was that Secretary McAdoo, when the situation was placed before him—

Senator WEEKS (interposing). What were the statements in the letter?

Mr. WILLIAMS. The letter written by the anonymous writer?

Senator WEEKS. Yes.

Mr. WILLIAMS. We never found out who wrote the letter. It was a letter criticizing the old administration in various ways. That particular charge, I think, was the only one of interest in this connection. Among other things, the letter charged discriminations on the part of bank examiners, and things of that sort. But this was the only matter of any interest. Other matters which were looked into did not seem to be of particular moment.

Upon receipt of that information and advice the Secretary issued a public statement to the press, which I will read, if the members of the committee desire me to do so.

This is a statement prepared by—well, I want to say that I was in entire sympathy with it; there was no difference of opinion whatsoever between the Secretary and myself with regard to the action which was taken in the matter. Mr. Ailes endeavored to show you that the Secretary of the Treasury very generously announced that the initiative was his; but had I been in the Secretary's place, I should have done precisely what the Secretary did.

As a matter of fact, the Secretary did take the initiative; he prepared the statement and gave it to the press. This is the statement [reading]:

"A few weeks ago suggestion was made to the Secretary that certain banks had long maintained private employees in the Treasury Department for the purpose of reporting to them, on the transactions and business of the Treasury.

"As a result of an investigation which was promptly begun it develops that the National City Bank, of New York, acting through Mr. Ailes, vice president of the Riggs National Bank, of Washington, has employed a clerk outside of the department, who has been given a desk in the Office of the Comptroller of the Currency, and who has for the past 8 or 10 years made regular reports to the National City Bank on the condition of each national bank in the country, promptly following every call of the Comptroller of the Currency.

"This is, of course, irregular and improper, and immediately upon its discovery it was stopped. It is only fair to say that the banks claim that the information so obtained is only such as in due course is made public by the individual banks or the department. But the method employed of installing a private employee, with a desk in the Treasury Department, gives the bank so favored an undue advantage in the way of advance information over all other banks in the country. At the same time it tends to establish intimate

relationships of the employees of the Government and to the acquirement of information of a confidential nature that ought not to be given to individuals or private corporations, and which, if given at all, should be published to the entire country. It is needless to point out that if any large number of banks should claim the same privilege, the Treasury Department would be overrun with private employees, to the serious injury and detriment of the service.

"Many of the transactions with the department are necessarily of a confidential nature, and no Government employee should, upon any inducement or consideration, supply information to any private interest beyond what is given out officially to all.

"It was with these rumors in mind, and for the purpose of developing the facts, that the Secretary issued the order, a few weeks ago, about giving information by the heads of departments, except through the Secretary's office. To have fully explained at that time the purpose of this order might have defeated the end in view. Some of the newspapers unhappily denounced this as 'gag rule,' and have thereby greatly impaired the usefulness of an order which was designed solely for the public good and to prevent the Treasury Department from being used for the benefit of any special interest. The policy of this administration is 'pitiless publicity.' The Secretary is in full sympathy with that policy, but, in executing it, he is animated solely by a desire to prevent the improper giving out of information concerning the business of the department, and to secure the publication only of such legitimate and authentic news as will conserve and protect the public interest."

Senator WEEKS. Do you think that was improper?

Mr. WILLIAMS. I do not. I think this publication was eminently opportune.

Senator WEEKS. I mean did you think the taking out of a transcript of those reports was improper?

Mr. WILLIAMS. Unquestionably; I think it was improper to have an employee of an outside bank installed in a desk in the comptroller's office having access to the records and files; if the person were scrupulously honest, as we have no doubt Miss Taylor was—we do not question that at all—there would be limitations as to the amount of injury done; but an unscrupulous person in that position would have been able to get information which might be calculated to be injurious to the welfare of the administration and the Government, and improper.

Senator WEEKS. Well, is it strictly correct to say Miss Taylor was installed in a desk in the comptroller's office?

Mr. WILLIAMS. Yes; there was a desk in the comptroller's office which she used for between two or three weeks—probably 17 or 18 days—upon each call of the Comptroller of the Currency. That was the desk which Miss Taylor used. She was there some eight years, I am informed, during several administrations. But as to how long she had been using that particular desk I do not know; I think probably a year. That desk was used by Miss Taylor whenever she came to transcribe this information, and she was in a position where, if she had been an unscrupulous person or spy, or anything of that sort, great damage might have resulted.

Senator WEEKS. Is it not a mistake to say that she took information before others could obtain it?

Mr. WILLIAMS. No, sir; it developed also that she had been supplying the same information to the Merchants National Bank of Richmond, Va.—to the same bank to which Mr. Ailes referred. I think the Riggs National Bank, the National City Bank, and the Merchants National Bank were the only three banks, so far as I know, that got that information.

Senator WEEKS. Is there anything improper in the information they got?

Mr. WILLIAMS. As the Secretary has explained, it gave that particular bank an advantage over all other banks in getting information many months ahead of them.

If that does not sufficiently explain, Mr. Chairman, I can go more into details; but if that is satisfactory to you, I will only quote that much.

The CHAIRMAN. It does not seem to me as though any of it is very important, Mr. Williams.

Mr. WILLIAMS. I do not think so, either. Mr. Chairman; but it has been made the basis of charges and criticisms by one of the witnesses before the committee and I thought I ought to reply to it.

The CHAIRMAN. I do not understand the facts as stated at that time have ever been disputed.

Mr. WILLIAMS. After getting all the facts before the committee, the committee acted on my confirmation.

The CHAIRMAN. Miss Taylor was exonerated of any improper use of this information, except that she furnished to these banks information which—

Mr. WILLIAMS. Advance information.

The CHAIRMAN (continuing). Which would appear in the reports of the banks?

Mr. WILLIAMS. Not all of it; only once a year were they published by other banks.

Mr. Chairman, I hesitate to tax your time and energies any more to-day. It is very hot weather, and if you say so—

The CHAIRMAN. The time of the committee is at your disposal if you wish to occupy it until 5 o'clock.

Mr. WILLIAMS. I have a very crowded desk this afternoon. There are 8,000 other banks that I have to give attention to.

The CHAIRMAN. There is no disposition on the part of the committee to force you to proceed any longer to-day.

Mr. WILLIAMS. Were it not for the public interest I would be very glad to consume the next three-quarters of an hour, and I hope that by adjourning now I will not lose the time which I should otherwise have.

The CHAIRMAN. To-morrow morning we have an executive session, but I hope we will be able to proceed with this hearing in the afternoon.

Mr. WILLIAMS. Before we adjourn I will ask that there be inserted in the hearings the letter which I spoke of a few moments ago and which I will read here, addressed to yourself:

CHATHAM & PHENIX NATIONAL BANK OF THE CITY OF NEW YORK.

New York, July 22, 1919.

HON. GEORGE P. McLEAN.

Chairman Banking and Currency Committee,

United States Senate.

DEAR SIR: My attention has been directed to the fact that at the hearings before the Banking and Currency Committee of the Senate on the confirmation of the nomination of John Skelton Williams as Comptroller of the Currency, the following statement has been made:

"Mr. Poole, as president of the Federal Bank, shortly after his talk with Mr. Williams, was informed by the officials of the Phoenix National Bank of New York, that if the Federal Bank would carry \$100,000 of deposits for its own account with the Phoenix National Bank, the officers of the Phoenix National Bank felt quite confident they could assure the Federal a deposit of \$500,000 of the Emergency Fleet Corporation's funds."

Regarding this matter I beg leave to say that the statement referred to is a gross misrepresentation, and in order that there may not be the slightest doubt on this subject, I have investigated the matter personally by questioning each officer of the Chatham and Phoenix National Banks as to his knowledge of any such alleged proposition and am absolutely assured by each such officer that he has never made any such suggestion to Mr. Poole or to anyone else, nor has he any knowledge of any such proposition ever having been made. In view of these facts you will readily see that the statement referred to is absolutely false.

Very truly, yours,

L. G. KAUFMAN, *President.*

(Whereupon, at 4.20 o'clock p. m., the committee adjourned subject to call of the chairman.)

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, JULY 25, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met pursuant to call of the chairman at 2 o'clock p. m. in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senator McLean (chairman).

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. John S. Wendt, Mr. John S. Strawn, and others.

The CHAIRMAN. Mr. Wendt, I understand you desire to make some statement in regard to Mr. Jones. I suggest that as we have gone into this pretty thoroughly you limit your testimony to statements or points you wish to controvert, and avoid as far as possible matter that is not very important.

STATEMENT OF MR. JOHN S. WENDT, OF UNIONTOWN, PA.— Resumed.

MR. WENDT. Mr. Chairman, I feel after looking over the testimony of Mr. Jones, given on the 24th instant, that it is quite necessary in justice to the comptroller, and perhaps in a certain extent to myself, that I should make a further statement.

There are many misstatements of fact in Mr. Jones's testimony, insinuations, and implications suggested, and misstatements of law to a certain extent, so that it will be necessary for me to some extent to go into the facts with respect to the pledge of the stocks that were in the comptroller's hands with a view to giving the committee a clear understanding of the situation and of the way the trust arose.

When the bank failed, Mr. Sherrill Smith was appointed receiver, and sometime afterwards he ascertained that certain stocks had been placed in the hands of McCombs, Ryan & Gordon, attorneys of New York, for the purpose of securing Thompson's indebtedness to that bank, and for other purposes, and he came to me with a view to getting advice as to what should be done for the protection of the interest of the bank. I ascertained all the facts I could from him, came to the comptroller's office, and examined their files, with a view to ascertaining the correspondence that had taken place between the comptroller and McCombs, Ryan & Gordon, and afterwards went to New York and had an interview with Mr. McCombs

and his partner, Mr. Ryan, with a view to ascertaining the situation and the facts with respect to the trust or pledge.

I found that the agreement rested in parol to a certain extent, and also upon certain letters that had passed between the parties. The agreement was what in law would be termed an oral agreement, although it was deducible from what passed between the parties orally, and also supplemented by certain letters. The intention, I found, was that the stocks should ultimately be put into the comptroller's hands for the purposes agreed upon.

After I had consulted all those sources, and got information from all parties in interest, and in the meantime the comptroller had consulted Mr. Thompson, I found that there was substantially no disagreement as to the terms of the trust or pledge. In fact, Mr. Smith procured from Mr. Thompson, about March 18, 1915, a letter of that date—and I have that letter here in my possession—wherein Mr. Thompson, in answer to a question propounded by Mr. Smith, said:

In regard to the certificates for 10,000 acres of coal land which I left with Mr. Frederick R. Ryan, of New York, for deposit with the Comptroller of the Currency, in accordance with the arrangements made with said comptroller at a former conference between him, Mr. Ryan, and myself, would state that they were to be deposited, first, to secure the payment of any and all indebtedness to said bank on which I was in any way liable (which, of course, would inure to the benefit of depositors).

Second. To secure from loss, equally and ratably, all depositors of the First National Bank, Uniontown, Pa.

Third. As a protection and security to all national banks that may have discounted and owned any note or notes of mine.

Fourth. Proper agreement covering the terms of this collateral deposit, to be furnished to me on delivery of same.

Yours, very truly,

J. V. THOMPSON.

Having got that information and this letter from Mr. Thompson, I then prepared a formal or written agreement setting forth the terms of the trust, and submitted it to McCombs, Ryan & Gordon for execution. The agreement provided also for the transfer of the stocks to the comptroller, as originally intended. McCombs, Ryan & Gordon said that the terms set forth in the agreement were true and correct, but in view of the fact that Mr. Thompson was not then sui generis, but receivers had been appointed for his estate by a court of Fayette County, Pa., that they could not advise him to execute the agreement; that they would not transfer the certificates until we procured not only Mr. Thompson's consent but the consent of his receivers.

The receivers were then consulted, and they said, after investigation: "The terms set forth are correct, but we would like to be protected by an order of court authorizing us to execute such an agreement or to consent to such a transfer on those terms."

In that situation, then, I advised Mr. Strawn to present a petition to the court which appointed those receivers for J. V. Thompson's estate, setting forth the terms of the trust, which was substantially agreed to, and asking the court to make an order authorizing the receivers to consent to the transfer of those certificates to the comptroller upon those terms.

Pursuant to that advice, a petition was prepared and presented to the said court by Mr. Strawn, who was the receiver of the First National Bank of Uniontown, which you will find in the record,

which I believe has all been offered here by Mr. Jones, in which Mr. Strawn set forth that these certificates were then in the possession of McCombs, Ryan & Gordon, and had been placed there by Mr. Thompson, indorsed by him in blank, for the purpose, first, of securing payment of all indebtedness of Thompson to the First National Bank of Uniontown, Pa.; second, of securing and protecting all depositors of said First National Bank of Uniontown, Pa., from loss; and, third, of securing payment of notes of Thompson held by other national banks, setting forth that the indebtedness had not been paid, etc., and praying that the court would authorize the transfer of the certificates to the comptroller in that trust.

That petition was answered in writing by the receivers of Thompson, who admitted the facts set forth in the petition to be true, and joined in the prayer of the petition. The petition was also answered in writing in a formal way by J. V. Thompson, who, by his answer, signed by him, admitted that he had read the petition, and found the statements therein contained to be true and correct, and joined in the prayer of the petition.

Thereupon the court, upon a hearing, made a decree setting forth the terms of this trust as I have stated it, as it was set forth in the petition of Strawn, and consented to by Thompson and his receivers, and authorized the receivers of Thompson to consent and agree to the transfer to the comptroller of those certificates on the terms set forth in the petition, which were incorporated in the decree, and provided further:

That the said stocks shall not be sold, assigned, transferred converted, or otherwise disposed of by said comptroller prior to March 1, 1916, and after the expiration of said period, only when and in such manner as may be agreed upon by said Thompson, or his legal representatives and said comptroller, and in default of such agreement, when and in such manner as may be determined by a court of competent jurisdiction, and that said Thompson, or his legal representatives, shall have the right to redeem said stocks at any time in the interim, on the payment of a sum not exceeding \$750,000.

There was no dispute as to the terms of the agreement, and they were set forth in the decree pursuant to the written admission of all the parties in interest, that is, those who were consulted at that time, the receiver, Thompson and his receivers, and the comptroller.

The CHAIRMAN. Everybody except the outside stockholders?

Mr. WENDT. Everybody except the stockholders of the bank. Of course, they were not heard. They were not present nor, indeed, of course, did they have notice of the proceedings.

But to this day, as I understand it, there is no dispute as to the terms of the trust. The dispute is, really, I think, as to the meaning of the first clause in the trust agreement, that is, the meaning of the phrase, "all indebtedness of said Thompson to the First National Bank of Uniontown." That is substantially the language, you will observe, that was in Mr. Thompson's letter.

The CHAIRMAN. There is no dispute about that.

Mr. WENDT. Subsequently, however, a dispute arose as to whether these stocks secured indebtedness owing by parties to the First National Bank of Uniontown represented by notes and other obligations to which Mr. Thompson was not a party.

The CHAIRMAN. As to whether they were to his direct or indirect creditors.

Mr. WENDT. In other words, there were a lot of obligations there in the bank, notes and other obligations, to which Mr. Thompson was not party as maker, indorser, or guarantor, and which he claimed were secured by this stock, and this phrase, "all indebtedness," said Thompson, covered those obligations, because they had really been made in some way for his benefit. That dispute arose after this thing had been executed. Mr. Thompson raised the question, and the question was raised by certain stockholders of the bank. But the committee will observe that this letter of Mr. Thompson, in which he sets forth, at the time that we were ascertaining what the terms of the trust were, is substantially the phraseology used in the decree of the court, and that having been assented to by Thompson and his trustees, and they at that time having the power to fix the terms of the trust, and the comptroller and the receiver being the other parties to it, I always felt there was no uncertainty about the terms of the trust. The uncertainty that existed was as to the interpretation or construction of the agreement itself.

The committee will observe that under that trust the comptroller was trustee for the receiver of the bank, who represented the depositors, and he was also a claimant against Thompson's estate to recover the indebtedness of Thompson to the estate, and the comptroller was also trustee for other national banks. I always advised the comptroller that the terms of the trust having been fixed in that way by Thompson's consent, the consent of his own receivers, by the very letter he had written, the construction or interpretation of the terms of the trust was a matter for the court, that the court would have to determine, and that the comptroller should not express any opinion on this dispute which manifestly existed between the receiver of the bank and the other national banks.

The CHAIRMAN. Of course, the stock was in fact delivered some time before this agreement was reduced to writing?

Mr. WENDT. Exactly.

The CHAIRMAN. And, as I understand it, Mr. Jones's contention was that in the original parol agreement it was understood that these stocks were to be held for the depositors for the direct and indirect indebtedness of Mr. Thompson?

Mr. WENDT. That is the contention.

The CHAIRMAN. That is his contention?

Mr. WENDT. Yes.

The CHAIRMAN. And that when reduced to writing, the language used was susceptible of another interpretation?

Mr. WENDT. Yes.

The CHAIRMAN. He endeavored to get Mr. Williams to agree to his understanding of the original agreement, and Gov. Buchanan practically agreed with Mr. Jones, and that Mr. Williams declined at the interview to give any written statement of what the original trust was. It seems to me, Mr. Wendt, that it is not necessary for you to take up very much time. There is the question.

Mr. WENDT. Further, I may say this, that in view of this dispute that exists between the other national banks and the receiver, or parties whom the receiver represents—

The CHAIRMAN (interrupting). What equity the stockholders, or the parties he represented, may ultimately have in the event the

stock is disposed of, as he claims the original deposit was for, I do not know.

Mr. WENDT. In view of the circumstances it seemed to me that for the comptroller to make a statement of what his understanding was before the question came up properly before the court for distribution might be susceptible to misunderstanding, and there was no obligation, it seems to me, upon the comptroller to make any *ex parte* statement at that time, or at any time, as to what the agreement was.

The CHAIRMAN. That was made clear by the comptroller and by Gov. Buchanan.

Mr. WENDT. Long after the period of redemption had expired, the other national banks began demanding that this stock be converted, and manifestly the comptroller was in a delicate position as trustee, and it was his duty to see that all parties in interest were protected, and under my advice the bill was filed in the District Court of the United States for the western district of Pennsylvania for a sale of the stock, and for the court to distribute the proceeds.

The CHAIRMAN. Whatever he did, he did with the advice of his counsel?

Mr. WENDT. Undoubtedly; and I assume responsibility for it.

The CHAIRMAN. That being so, it seems to me it is not worth while for you to take very much of our time in regard to that matter.

Mr. WENDT. Very good, Mr. Chairman. The court stated clearly, at the time this proceeding was heard, that they had not reached the point where they would determine this dispute as to the application of the proceeds, and that that could only be properly determined after the stock had been sold and the proceeds brought into court; and then everybody in interest would get a notice from a master, and they then could all come in and be heard with respect to the claims, and the comptroller can be cited there as a witness, his testimony can be obtained, and there is not anything in the contention, it seems to me, that the comptroller has violated his duty or shown any bad judgment, even, in the circumstances.

The CHAIRMAN. Whatever he did, he did it by the advice of his counsel?

Mr. WENDT. There was nothing done in the proceeding except under my advice.

The CHAIRMAN. The responsibility shifted to you, under the circumstances?

Mr. WENDT. I think so. The comptroller in that proceeding has done nothing which would indicate to me any bias in any way, or, I may say, any bad judgment. I certainly have not been controlled by him in any way to do anything which I did not believe was proper for a trustee to do under those circumstances, whatever his relations may have been to the First National Bank of Uniontown.

The relation that the sale of this stock had to the sale of the bank building was, I think, pretty fully explained by me in the former statement.

The CHAIRMAN. Yes.

Mr. WENDT. Mr. Jones has reiterated here the statement that by selling the bank building before the stock was sold an injury was done to the stockholders, which, I think, upon examination will be found to be absolutely without any foundation at all, because the bank building was the primary asset for the payment of the depos-

and some others were there. There was an argument, a full statement of the facts, and the court considered it fully and decided that he would not postpone the sale, that he had confidence in the receiver's judgment. And there was not a complaint made. Ample opportunity was given, notice was given of a later date when it would be confirmed, and ample opportunity for exceptions was given, but no complaint was made by Mr. Jones or his clients, or anybody else. And the complaint that any wrong was done by the comptroller in the sale of that building seems to me ridiculous and absurd. The comptroller is bound, of course, to a certain extent to rely upon the judgment of the receiver, and there was no subject that received any greater consideration, in my judgment, by this receiver, nor could any greater consideration have been given to the matter than was given by this receiver, who exercised, I thought, great care with a view to protecting the interests of the stockholders of this bank.

Complaint has been made by Mr. Jones of the comptroller's action in procuring this stock to be transferred to himself and in voting at a directors' meeting. Stock, you will recall, was in two corporations, one the Liberty Coal Co., the other the Wetzel Coal & Coke Co. In neither company had the comptroller a majority of stock. We found in December, 1917, that the taxes were not being paid on this coal and were accumulating rapidly, and that in one case the sheriff or tax collector down there in West Virginia had advertised the property for sale. It was not being protected by the corporation, which was really dominated by Mr. Thompson at that time.

We further found that Mr. Thompson, in whose name the stock then stood on the books of the corporation, had procured a meeting of the stockholders of the Liberty Coal Co. to be held on the 1st of December, 1917, and then induced the stockholders who were present, no notice being given to the receiver of the bank or to the comptroller, to authorize the granting of an option upon all the property of that company, to another company supposed to be representing parties negotiating for the purchase of Thompson's property, for a period of three years, with the privilege of further extension of two years, or five years in all, unless at a specified time prior to the expiration of the three years the owners should give notice of revocation.

It seemed clear to me, and I so reported to the comptroller, that this option was given to this syndicate, who were then negotiating for the purchase of the property, in order to give them an absolute control of that coal acreage for that period. They were under no obligation to purchase, except at the end of the three years, and then they had merely the option to purchase, and the option was stated to be irrevocable, and the holders of the option did not assume to pay any obligations or the taxes on the coal, and it seemed to me, and I reported it to the comptroller, that in my judgment that option was highly prejudicial to the value of the shares of stock of the Liberty Coal Co. which were in his hands, and in my opinion nobody would buy this stock with the knowledge that there was an outstanding option for the sale of it which practically deprived the company of the right to sell for a period of five years, and at the end of the period the option might not be exercised, and the company might

why a sale should not be promptly made at any time, the court or the comptroller; perhaps, could control it and do justice.

We went back a second time to New York, and were introduced to certain parties who were connected with or related to the National City Bank of New York, who were conducting negotiations, and had about entered into an agreement by which they procured an option only to buy, indirectly, Thompson's assets—and they were Thompson's assets and not the bank's—on certain terms. On this occasion we found that this was merely an option, which ran for 90 days, and these parties who were so negotiating said they did not know whether or not they would want the bank sold if they bought Thompson's assets, they did not know anything about it, and there was no assurance, they could not give us any assurance, that if they purchased the assets, they would redeem these stocks at the price fixed. In fact, under the circumstances, in view of the dispute that existed, I perceived no way that the comptroller could dispose of those stocks except under the protection of a decree of the court, which would protect him from any charge of negligence or bad judgment, or anything of that sort.

So, after the receiver and I had ascertained all the facts from these gentlemen who were then negotiating, we came to the conclusion that there was not anything tangible which would warrant, or at least require, the receiver to further stay his hand in selling that bank building, for the reason that the receiver had no other asset then which he could dispose of with a view to further liquidating the debts of the bank, the amount of which then remaining unliquidated was over \$1,000,000, and as that was the primary fund for the payment of them, we felt that there was not any good reason to further stay the sale of the bank building.

Then the sale was readvertised. It was contended, it is true, that it was in violation of an agreement Mr. Strawn and I had made in New York at Mr. Untermyer's house. That is absolutely not true. We made no such agreement. We left after we had gotten this information. We told him that we had no authority to bind the comptroller, and we reported fully the information we had gotten to the comptroller, and I believe that Mr. Strawn made a recommendation that, in his judgment, the building ought to be sold, for the reason that it was then an opportune time to sell it, and he thought that it would not occur again, and as there was nothing tangible in these negotiations which would warrant anybody, at least warrant us, in believing that the necessity for the sale of the bank building obviated, we felt it was necessary to go ahead. The interest on the debts of the bank was accumulating, and the interest on Thompson's debts, which were secured by these stocks, was accumulating.

The CHAIRMAN. How many bids were there on the building?

Mr. WENDT. I think half a dozen. Were there not, Mr. Strawn?

Mr. STRAWN. Yes.

Mr. WENDT. Half a dozen bids. It was bid up from some four hundred odd thousand to \$700,000, my recollection is.

The day before this postponed sale, the trustees of Thompson and Mr. Jones and some others rushed down to the court at Pittsburgh and asked an order to restrain this sale. Then there was a full hearing there at that time. I was in at that hearing, and Mr. Higby, Mr. Strawn's local counsel, Mr. Jones, I believe, Mr. Weil,

matters, and whom he represents I do not know. I understand that certain parties he says he represents, and formerly did—stockholders—now deny that he represents them.

The CHAIRMAN. As far as that is concerned, that is hearsay with you.

Mr. WENDT. Yes, that is; that is true. But when you come to examine his testimony as to the parties he represents you will see he is talking of the time when he presented the petition to intervene. He mentions the stockholders he then represented, and he says he has never been discharged. He was assuming then to act in this matter here on an authority given to him to intervene in the stockholders' suit. And that is the effect of his testimony. He does not say, as I understand his testimony—I looked at it this morning—that he received any specific authority from these stockholders to come down here. There may be, perhaps one or two of them that say he could represent them here. But as to the bulk of them his authority rests upon the supposed authority granted to allow him to intervene in that proceeding but not upon any specific authority to appear here.

There is nothing further, I think, that I need say here, excepting this, that if you care to examine the history of the liquidation of this bank I think you will find that the liquidation has not only been skillfully done, but that in every respect it has been done with due regard to all parties in interest, and that there has been no more fortunate liquidation of any similar trust in the history of national banks.

And there is this one fact which ought to be borne in mind, that when this bank failed and Mr. Thompson failed simultaneously the bank was as insolvent as Mr. Thompson. Since that time the receiver of the bank, under the direction of the comptroller, has paid all of the depositors of the bank and has assets in his hands which will ultimately, if properly administered, I believe, result in paying the stockholders perhaps \$500 a share; maybe more.

On the other hand, Mr. Thompson's representatives, his trustees in bankruptcy, have not paid a dollar to any unsecured creditor of Mr. Thompson, and they are now asking the court to confirm the sale in bulk of his assets, which it is estimated will pay the unsecured creditors, the most optimistic say, 40 per cent; but my guess is that if the unsecured creditors of Mr. Thompson get 20 per cent they will be fortunate if that sale is confirmed. The stockholders of this bank, I think, are lucky and fortunate in having the affairs administered as they were.

The CHAIRMAN. What was the stock worth at its pitch?

Mr. WENDT. I do not know. Mr. Thompson held 65 per cent of it. The receiver may be able to answer that question. It was not a stock dealt in commonly, you know. It was practically what you call a close corporation, the bulk of it owned by Mr. Thompson. He dominated it absolutely and used it pretty much as his own bank. The cashier owned some of the stock, but he was pretty much controlled by Mr. Thompson by reason of his control of the stock. I can not answer as to what sales were made.

The CHAIRMAN. That is all right.

Mr. WENDT. Mr. Jones has filed with the committee, I believe, a copy of the brief filed in the United States Circuit Court of Appeals

in the case for the foreclosure sale of the stocks by the trustees of J. V. Thompson, bankrupt. In order to make the record complete I would like to file a copy of our brief.

The CHAIRMAN. I do not know whether we shall print either one of them. The citations he gave us will probably be included in the record.

Mr. WENDT. He read from the brief of counsel for the appellants.

The CHAIRMAN. Unless you think it is very important, we would not want to print it. You realize how we are cumbering up the record.

Mr. WENDT. I would not have suggested it for a moment had it not appeared that he offered that brief, and if the one is received it seems to me the other ought to be.

The CHAIRMAN. I do not think either one of them will be printed.

Mr. WENDT. I would not print them, I know, if I were the committee.

ADDITIONAL STATEMENT OF MR. JOHN S. STRAWN, OF UNION-TOWN, PA.

Mr. STRAWN. Mr. Chairman, supplementary to my statement of last week, I wish to submit some affidavits from very reputable people in Uniontown in support of the sale of the bank building. But before doing that I will answer the question you asked of Mr. Wendt as to the value of the stock.

The book value at the time of the bank's suspension was \$1,100 a share. The capital was \$100,000, and the nominal surplus was \$1,000,000. As I pointed out in my statement of last week in connection with the necessity for the sale of the bank building, the capital and surplus being \$1,100,000, which represented the entire margin of the bank's assets over and above its debts, and as \$976,000 was tied up in the bank's real estate that left a margin of only \$124,000 in losses that the bank sustained before it became necessary to utilize the real estate to pay its debts.

Mr. Jones seems to have the fanciful idea that these stocks pledged with the comptroller increased the assets of the bank for the benefit of the stockholders; that this was a sort of a gift from Mr. Thompson. That, it will be readily seen, was not true. The stocks were merely put up as collateral security which in no manner swell or increase the assets, but merely render their collection more sure and certain. After taking into consideration the full value of all this collateral, and all the other assets, I ascertained that the losses were greatly in excess of \$124,000, and that it would therefore be necessary to revert to the real estate to pay the debts, unless the stockholders themselves furnished the funds necessary to make up the losses, which they never offered to do.

Mr. Wendt has explained pretty well all the facts and circumstances leading up to the sale. There is just one thing, my refusal to recommend the postponement. At that time they wanted a further postponement. I knew that I had competitive bidders for the property at that time, and that the responsibility was on me to sell the property at the maximum price.

The CHAIRMAN. I understand you. You stated that on your direct testimony, and you have no occasion to change it.

Mr. STRAWN. No, sir. Consequently I refused to recommend the postponement of the sale.

The first of these affidavits I desire to read is from Mr. Peter E. Sheppard, the vice president and treasurer of the Fayette Title & Trust Co., the present owners of the bank building. That is to say, the trust company owns it through the medium of a building company. The trust company owns all the stock in the building company.

Mr. Jones in his statement to the committee said that this property had been appraised at \$1,180,000. He also stated that this trust company paid Mr. Feather a profit of \$50,000 for the bargain. Mr. Feather was the individual who bought in the property at the sale. Mr. Sheppard makes this affidavit:

STATE OF PENNSYLVANIA,
County of Fayette, ss:

Before me, Charles T. Cramer, a notary public in and for the county and State aforesaid, personally appeared P. E. Sheppard, of Uniontown, Pa., who, being duly sworn, says that he is vice president and treasurer of the Fayette Title & Trust Co., of Uniontown, and is treasurer of the Fayette Title & Trust Building, a corporation that is the present owner of the bank building and opera house property, formerly owned by the First National Bank of Uniontown. The Fayette Title & Trust Co. is the owner of all of the stock of the Fayette Title & Trust Building Corporation. That the Fayette Title & Trust Building Corporation purchased said property from James I. Feather, who bought it for the price or sum of \$700,000 at a public sale thereof made by John H. Strawn, receiver of said First National Bank of Uniontown. When said Feather bought said property he was acting in his own behalf and not as the representative of said Fayette Title & Trust Co. The price paid by said Fayette Title & Trust Building Corporation to Mr. Feather for said property was the price at which Mr. Feather purchased it, viz, \$700,000, plus the actual expenses incurred by Mr. Feather in making the purchase, which amounted to a small sum, and consisted chiefly of attorney's fees incurred by Mr. Feather in the examination of the title and of the legal proceedings incident to the sale, together with the revenue stamps for the deed, with a few other expense items of no considerable amount.

The statement made by A. E. Jones before the Senate Committee on Banking and Currency that we paid Mr. Feather a profit of \$50,000 is not true. Mr. Jones's statement that the property was appraised at \$1,820,000 by an engineer for the purchaser is untrue so far as it relates to the present owner, the Fayette Title & Trust Building Corporation, and deponent has been informed by Mr. Feather, the original purchaser, that no such appraisal was ever made for him. Mr. Jones's statement as to the increase in the rents is erroneous. The Fayette Title & Trust Building Corporation has since it became the owner of the property increased the rents in a moderate amount to meet increased cost of operation and maintenance of the property.

PETER E. SHEPPARD.

Subscribed and sworn to before me this 21st day of July, A. D. 1919.

CHARLES T. CRAMER.

Notary Public.

My commission expires January 1, 1923.

The CHAIRMAN. Are your other affidavits to that same point?

Mr. STRAWN. No, sir. These affidavits are as to the fairness of the sale and the adequacy of the price. I do not wish to encumber the record with a lot of unnecessary documents.

The CHAIRMAN. No. You have already made your statement in regard to that, and the question of the price received for the real estate I do not understand was touched upon by Mr. Jones in his last statement.

Mr. STRAWN. If it is conceded by the committee that the price was adequate—

The CHAIRMAN. Can you not make a statement that will practically cover those affidavits, and avoid printing them in full?

Mr. STRAWN. Yes, sir; I will be very glad to do that.

The first affidavit is from Mr. G. S. Harrah, vice president and chief managing officer of the Second National Bank of Uniontown, stating that the price of \$700,000 for which the building was sold is fully adequate, and was a good price for the property.

The second affidavit is from Mr. B. B. Howell, cashier of the National Bank of Fayette County, of Uniontown, one of the largest of the banks there, stating, in effect, that he is thoroughly familiar with the value of this property; that at the sale there were various competing bidders, and that the price of \$700,000 obtained by the receiver at the sale of the property is, in his opinion, more than the property is worth.

The next affidavit is from Mr. W. A. Stone, now president of the Union Trust Co. of Uniontown, and who at the time the bank building was sold was vice president of the Citizens' Title & Trust Co. of Uniontown, stating that the Citizens' Title & Trust Co. desired to purchase the property, and bid on it at the sale; that at a meeting of the board of directors they decided that \$600,000 was the maximum that the property was worth, and therefor authorized their president, Mr. Gaddis, to bid only to that amount, which he did; that after Mr. Gaddis ceased bidding for the trust company Mr. Stone himself continued to bid in competition with Mr. Feather until the price reached \$691,000, which was the final bid by Mr. Stone, and then, when Mr. Feather bid \$700,000, Mr. Stone ceased to bid because he regarded that sum as the maximum that the property under any circumstances could be considered as worth.

The next affidavit is from Mr. John P. Brennen, president of the Thompson Connellsville Coke Co., the former receiver of Mr. Thomson's personal property and estate, a man of very high standing, who says he knows all about this property, and says that in his opinion the price obtained at the sale is the maximum that the property could be considered as worth.

I have also an affidavit here from Hon. W. E. Crow, who is a man of very high standing not only in that community, but in the State, an attorney by profession, a member of the State Senate of Pennsylvania, and chairman of the Republican State committee of Pennsylvania. He makes affidavit as to the administration of the affairs of that trust in general, that it had been administered with efficiency and integrity, and with successful results to the creditors and the community. He says he is thoroughly familiar with the sale of the bank building and the value of the property, and that the price of \$700,000, that it brought at the sale, represented its full value.

As I do not desire to encumber the record by producing other affidavits that are merely cumulative, I offer no more, feeling that these establish that point beyond all dispute.

The CHAIRMAN. You might leave the affidavits with the committee.

Mr. STRAWN. Yes, sir. I will be very glad to do that. I do not believe that I care to raise any issue with Mr. Jones as to whom he

represents, but it is known he disclaims being a representative of either Mr. Thompson—

The CHAIRMAN (interrupting). If what you are about to say is hearsay, I do not believe I would go into it, because he made a statement here that he represented such and such parties in interest, and I think if that is disputed, it should be disputed by those parties in some way authorized by them.

Mr. STRAWN. The recent declarations made by Mr. Jones in relation to the sale of his collateral that is in the comptroller's hands I think have been fully covered by Mr. Wendt, and I hardly regard it as necessary to go into them, and do not desire to.

In regard to my affidavits of defense that I filed in the suits brought by these foreigners on those notes, Mr. Jones quotes from them. I merely desire to say that, as receiver of that bank, it is my duty to defend suits—I have no alternative. That I merely make the affidavit stating the facts on information, which, of course, is received from the officials of the bank, that they have a just and true defense, which puts the matter in issue. It does not commit me to anything one way or the other.

I desire to call the attention of the committee—in connection with Mr. Jones's declaration that the closing of this bank and Mr. Thompson's troubles were due to the comptroller—to the fact that Mr. Jones himself states in one place, I think, with correctness, the reason why that bank came to disaster. He says:

Mr. Thompson overinvested in coal lands, had his friends do the same, and they in turn borrowed too much money from this bank, and that exhausted its cash, could not replenish it, and the bank was closed.

That states the situation exactly. When it closed there were approximately \$1,000,000 of notes of individuals or corporations which had to go into the hands of receivers, or into bankruptcy, or insolvency, or something of that sort.

The remainder of Mr. Jones's recent statement appears to relate to matters that I think have been fully covered by other witnesses, and I will not go into them.

I desire to ask whether there are any questions you desire to ask on matters which are not clear in your minds, as to the conduct of this receiver?

The CHAIRMAN. I think your position has been made very clear.

ADDITIONAL STATEMENT OF HON. JOHN SKELTON WILLIAMS.

Mr. WILLIAMS. Mr. Chairman and gentlemen, before taking up the Riggs Bank case as set forth by Mr. Hogan in his testimony before the committee, I would like to discuss, or call your attention to, one or two matters somewhat on the outside, or not as directly a part of the Riggs Bank controversy as other matters about which he testified.

On page 151 of the present hearings Mr. Hogan said:

But I have not shown you the main thing even yet.

Evidently he attached very great importance to the matter which he then brought out. As he has attached apparently so much importance to it, I ask your indulgence while I proceed to give you the

facts in regard to it, as opposed to the untrue statements which have been made in connection with it by Mr. Hogan.

He says:

One of the things that Williams has prated about more than anything else is this, that it is a slander to say that he would use his public office, or that he ever did use his public office, to get back at a personal enemy or at anyone who criticized his public acts, or to attain the end of personal hostility or malice. That has been his card all the way through. Now, let us test it.

Mr. Hogan then says:

First, Ailes and Flather, two officers of the Riggs Bank, are the only persons to appear before the Senate committee in opposition to his confirmation when he is first appointed, and the Riggs Bank suffered for it.

The Riggs Bank did not suffer because Messrs. Ailes and Flather appeared as witnesses against my confirmation five years ago. The action which it became my duty to take in connection with investigations of the practices, methods, and business of the Riggs Bank was entirely aside from and had no connection, remotely or otherwise, with anything that Messrs. Ailes and Flather said or did in connection with my confirmation. It would be equally true and equally false if Mr. Hogan had claimed that scores of other banks have suffered through injustices at the comptroller's hands, or because of any alleged prejudice by the comptroller, because scores of bank officers have been sent to the penitentiary for periods varying from 3 to 13 years in the past four years because of their crimes and criminal mismanagements in connection with banks. I think that I can successfully prove that the activities of the comptroller's office in insisting upon the enforcement of law and upon the abrogation of irregular, unlawful, and dangerous practices, has been immensely beneficial not only to the individual banks concerned, but to the whole national banking system. For the past four years the records show that 176 bank presidents, vice presidents, cashiers, other employees, and others have been sentenced, as I stated, to various terms of imprisonment for violations of the provisions of the national bank act. But I have not heard that any of the other officers, employees, or attorneys of those banks whose guilty officers have been punished by Federal courts have claimed that in their prosecutions, or in reporting them to the Department of Justice, I was guilty of prejudice or unfairness in any way.

I think it would be well for me to make clear at this point exactly what my attitude was when I came to Washington toward the Riggs Bank and its officers.

I became Assistant Secretary of the Treasury in March, 1913. Among the very first callers at my office was Mr. Glover, of the Riggs Bank. I had met him about 10 or 12 years before in the Adirondack Mountains one summer, and my impressions of him were entirely pleasant. Our only relations were social. I had not seen very much of him in the mountains, but had made his acquaintance, and as soon as I came to Washington, as I say, he paid a social call upon me to felicitate me upon my nomination.

The CHAIRMAN. As Assistant Secretary of the Treasury?

Mr. WILLIAMS. Yes, sir. Mr. Glover called several times at my office, and I met him out at dinner socially in Washington on a number of occasions. I did not know, nor had I ever heard of, either Vice President Flather or Cashier Flather of the bank. I would

not have known them if I had seen them in the street. But I recall that Mr. W. J. Flather also called at the Treasury during the spring, probably on some official matter, and I met him in the course of business. There were no prejudices of any sort as to any of the officers of the bank.

Mr. Ailes I had never met. He also called at the Treasury upon one or more occasions in the early spring, and our conferences, whatever they were about, were entirely pleasant and agreeable.

The story which was put forward by Mr. Ailes to the effect that I was prejudiced against him because he became a director in some railway company after I had retired from that company is a silly story without the least foundation. He never took my place upon the directorate of the railroad to which he referred, or any other railroad or any other corporation, as far as I know. I had been a director and a member of the executive committee of that particular road. When I saw proper to retire from it, as did several of my friends at the same time, those vacancies were filled by the election of other directors by the remaining officers of the company; and Mr. Ailes was one, if I recall, of about half a dozen others who were chosen at that time. I can not make too emphatic my denial of the fact that there was any personal feeling or ground for personal feeling in relation to that incident.

In my testimony yesterday I explained the circumstances under which an employee of the National City Bank of New York, or of the Riggs National Bank, or of both, was expelled from the Treasury or ordered to cease the use of the desk in the comptroller's office which this employee of those banks had been occupying for, as I understand it, some six or eight years. The announcement which Secretary McAdoo made at that time, and which he gave to the press, was, in my judgment, the cause of the ill feeling, if not the antagonism and the hostility, which soon after that incident began to be displayed by a certain officer or certain officers of the Riggs National Bank toward the Treasury. Those fires of hatred or malice, or whatever they were, appear to have smouldered for several months without any special outbreak. But there were several incidents which indicated that the Riggs Bank officials, or some of them, were not friendly, if, in fact, they were not really unfriendly, toward the Treasury Department.

Prior to the beginning of the Wilson administration the officers, or certain of them, of the Riggs Bank had been exceedingly familiar over at the Treasury. They had access, apparently, to nearly all of the offices of the department at any hour of the day; and I am advised that some of them were seen in the corridors of the Treasury Department two or three times a day. They were coming in and going out and getting information of this kind or that. I do not know what the character of it was. Perhaps the information they were getting may have been perfectly proper, but they were exceedingly familiar and at home in the Treasury.

When this employee of the National City Bank or of the Riggs Bank was expelled from the Treasury it attracted a good deal of newspaper attention, and, as Mr. Hogan says, if I recall his testimony, some references were made to the breaking of the "pipe line" between the Treasury and the Riggs Bank, or the Treasury and the City Bank, or whatever it was. As an illustration of the intimate relationship which seemed to exist, I will call attention to an incident

which Mr. Hogan himself referred to. He states that in August, 1914, it became desirable for the Riggs Bank, for its own purposes or for the purposes of its correspondents or at the request of its correspondents, to obtain information from the Treasury Department in regard to the amount of national currency stored in the Treasury vaults, and he states that some representative from his bank procured that information and forwarded it to New York. He gives an unfair and distorted account of the occurrence and endeavors to make it as picturesque as possible. I think his statement, if I recall, was that I was in New York at that time, and that as soon as I heard they had gotten that report, or when I heard they had gotten that report, I returned to Washington and made an investigation.

That statement of his was thoroughly disingenuous and misleading. It is true that I was in New York at the time of the outbreak of the European war, arranging for the distribution of emergency currency with the banks of the country. They issued, as you know, through the comptroller's office, some three hundred and eight millions of dollars of that currency in those panic times.

It is true that I happened to hear in New York, I think, that information was being furnished in an irregular way through one of the offices of the comptroller's bureau. Of course, it had nothing whatever to do with my return to Washington. I did return to Washington, but certainly not in connection with any such reports upon which Mr. Hogan places emphasis in his effort to discolor the incident.

Subsequent to my return to Washington I did inquire as to how information should have been given out without being sent through the proper channels, and then I learned that an employee or some one from the Riggs Bank had gone to one of the department's divisions of the comptroller's bureau and had himself, from one of the junior clerks or employees, gotten information and statistics and fixed them up himself and had gone off with them without the knowledge of the comptroller.

I merely refer to that because Mr. Hogan has given a misleading report of that incident. That illustrates, however, the intimacy which even then was existing between some of the employees of the Riggs Bank and the comptroller's office.

It was evident to the Treasury that the Riggs Bank had resented the action of the Treasury in placing all banks of the country upon the same basis so far as getting information or securing favors of any sort from the Treasury was concerned. It had been their uninterrupted privilege, apparently, for so many years past that they found it difficult to reconcile themselves to the new conditions under which all banks were treated fairly and justly and without preference or priority.

Senator PAGE. May I ask, there, whether you became conscious of any wrong intent on the part of the National City Bank in connection with your office there, the comptroller's office?

Mr. WILLIAMS. I do not exactly understand your question, Senator.

Senator PAGE. It came to a time when you thought it was not best that—

Mr. WILLIAMS. If I may interrupt you, Senator, we have been speaking just before you came in of the incident where an employee

of the National City Bank and the Riggs Bank had been expelled from her desk in the comptroller's office.

Senator PAGE. I asked if you had discovered in the case of the connection of that employee with your office any intent on the part of the National City Bank to do a wrong, or was it an unconscious thing or something that occurred of necessity and you found it necessary to discharge the employee?

Mr. WILLIAMS. I shall be very happy, if it is your pleasure, Mr. Chairman and gentlemen, to go over that incident again; but it is fully covered in the record.

Senator PAGE. Then do not do it. I thought you might state in a brief way whether you discovered there was an intent that was wrong there to secure information that they ought not to have had.

Mr. WILLIAMS. Those questions were asked and answered very fully in the testimony which was in the evidence yesterday, but I would be very glad to go over it again.

Senator PAGE. No; I would not have you do that.

Mr. WILLIAMS. Mr. Hogan, in his testimony, also referred to an incident where a correspondent bank of the Riggs Bank was advised that it was the policy of the Treasury to treat all banks with equal promptness and expedition. On page 97 Mr. Hogan read into the record a telegram which was as follows:

We have deposited securities with local currency association and understand Aldrich-Vreeland notes, already printed for this bank, have been forwarded to Chicago.

Please advise us whether our notes are being printed and when they will be completed.

We desire to secure additional circulation as speedily as possible to limit on commercial paper, which is \$800,000.

We are telegraphing you thinking can get information quicker than through department.

That telegram appears to have been sent to the Riggs Bank from a bank in Minneapolis.

Mr. Hogan then goes on and says:

That telegram was sent over to the comptroller's office. The comptroller, on August 11, 1914, picked that out, and he responded.

Then he reads this:

In regard to the closing paragraph in the above telegram you are respectfully requested to inform the bank from which you received the foregoing message that they err in assuming, as they do, that the Riggs National Bank "can get information quicker than through the department"; that the Riggs National Bank enjoys no preference or undue favors from this department; and that you are informed by the Comptroller of the Currency that it is the aim of this office that all official communications and requests shall be promptly cared for in the order of their receipt, having a due and proper regard for those which may for any good reason appear to be urgent.

Then Mr. Hogan says, "And now"—then he goes on reading:

I am quite aware that the notion has been prevalent in the past that the Riggs National Bank "can get information quicker than through the department," and under the conditions previously existing this supposition seems to have found some foundation, but the banks of this country are now being dealt with by this office justly, impartially, and without regard to certain influences which at one time, under another administration, were so freely exercised.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

I assume that those telegrams, or those letters, are correctly quoted. I have not referred to our files to check them up.

I was just stating, Senator Page, when you came in that there seemed to be some unjustifiable resentment on the part of the Riggs Bank when whatever favors it had been claimed they were enjoying were cut off and when that bank was placed on the same basis with all other banks, and that it would appear that those feelings smoldered on until the autumn of 1914, when the United States Trust Co. incident arose.

Mr. Hogan, in his statement before your committee, although he was not present at the interview, gave a very incorrect and untrue report of the interview which took place in November, 1913, between Secretary McAdoo, Mr. Glover, Mr. Ailes, and Mr. Flather, and, I think, Judge Elliott and myself, in Secretary McAdoo's office, and in answer to his misstatements in regard to an occurrence where he was not present I ask your permission to read into the record at this point the affidavits of Secretary McAdoo and Mr. Elliott, counsel to the Federal Reserve Board, who were present at that interview:

When I came to Washington in March, 1913, I knew only two officers of the National City Bank of New York, its president, Mr. Vanderlip, and Mr. McRoberts, one of its vice presidents, with each of whom my acquaintance was casual, although my relations with them were entirely pleasant. I had never had or attempted to have, directly or indirectly, a business transaction of any kind with the National City Bank or of any officer thereof, although statements and insinuations to the contrary have frequently been published since I became Secretary of the Treasury.

If I may be permitted to say, just at this point, also, that while I have referred in my testimony this afternoon to my knowledge of the officers of the Riggs National Bank before coming to Washington, I will add that my relations with the officers of the National City Bank prior to that time had been entirely pleasant and agreeable. I knew Mr. Vanderlip slightly. We had been on the same board of directors together and never had any differences of any sort. I will also add that throughout the Riggs controversy I was not, as far as I recall, brought in touch with Mr. Vanderlip, although he happened to be one of the directors of that bank; but I do not recall that I had any conferences with him during that controversy. I understand that he rather stood apart from it and let the bank down here attend to its own matters; and my relations with Mr. Vanderlip have continued to be entirely pleasant. We had never had—I want to emphasize that fact—had never had any business differences or controversies at any time that I recall, either about that period or prior. Our relations are to-day all pleasant, as they are with the several other officers of that bank, although I know none of them intimately.

(Continuing reading:)

On December 3 and 4, 1913, the New York Tribune published the articles referred to in the bill of complaint, but it is not true that the said articles contained a recitation of facts. They contained false and garbled statements and inferences. For further particularity copies of them are hereto attached, marked, respectively, Exhibits A and B, and I ask that they be considered as embodied in this affidavit as a part thereof.

My recollection of the transaction, and particularly of the interview with the plaintiff's officers with respect to said articles, is very distinct. It differs materially from the allegations set forth in the bill of complaint. The facts are as follows:

I pause here for a moment to inquire or to raise the question, why should I have been prejudiced against Mr. Ailes because he was elected director of a railroad and when five or six other gentlemen were elected about the same time? I was not prejudiced against any of them. There is really no ground for it, no possible ground for the suggestion.

[Continuing reading:]

Mr. Alles then became more offensive toward Mr. Williams and began to say things reflecting upon the department, and I interposed and said:

"Gentlemen, there must be no controversy of this character here. I will not permit it."

Mr. Alles would not be deterred, however, and continued in an offensive manner to address Mr. Williams, when I said:

"Mr. Alles, I will be d——d if I will permit this in my office, and if you persist in it I shall have to order you out."

I remained sitting when I said this and at no time advanced in a menacing or other manner toward Mr. Alles. I then arose from my chair; everybody else arose at the same time, and I said to Mr. Glover:

"Mr. Glover, I am glad to acquit you of any part in these publications. I wish you would stay as I would like to talk to you a little further about this matter."

Mr. Glover remained. Mr. Alles and Mr. Flather left the room from the ante-room where my private secretary, Mr. Cooksey, has his desk, and Mr. Williams and Mr. Elliott departed by the side door. Mr. Glover and I continued the conversation in an entirely friendly manner. I explained to him my anxiety about the effect of these publications, and said that I felt sure that if he could control them they would not continue. I also stated to him that he could readily understand that if confidence in the local situation was again disturbed it would be a serious matter for all the banks in Washington. Possibly it is from this statement that Mr. Glover gathered the impression or drew the inference that I had said:

"Mr. Glover, you know what this means to the Riggs Bank."

The CHAIRMAN. Just what did the Secretary say there?

Mr. WILLIAMS. [Reading:]

I said no such thing and nothing in substance to that effect, or that could be construed into the meaning that he has endeavored to give to my language. Mr. Glover agreed with me fully about the matter, and reassured me that neither he nor any of the officers of the Riggs Bank were encouraging the Tribune to continue these attacks.

He then talked about the work he had done in upbuilding Washington, made some allusion to his altercation with Congressman Sims, and then left. We parted in a thoroughly friendly manner. I have not seen Mr. Glover since. He remained with me about 15 minutes after Mr. Alles, Mr. Flather, Mr. Williams, and Mr. Elliott had gone.

Immediately after his departure I sent for Mr. Williams and also for Mr. Cooksey, told them the subject of my conversation with Mr. Glover, and said that I thought he would use his efforts to prevent further publications in the Tribune that would cause alarm about the financial situation in Washington.

That is Secretary McAdoo's report of that interview, he being present. Mr. Hogan was not present.

I now will read Mr. Elliott's affidavit on the same subject:

AFFIDAVIT OF MILTON C. ELLIOTT.

DISTRICT OF COLUMBIA, ss:

Milton C. Elliott, being sworn, says: I am at present counsel for the Federal Reserve Board and am located in the Treasury Building, in Washington.

In December, 1913, I was counsel for insolvent banks in the office of the Bureau of the Comptroller of the Currency, and had my offices in that bureau in the Treasury Building.

I have a distinct recollection of the interview in the office of the Secretary of the Treasury in December, 1913, following the publications in the New York

Tribune in its issues of December 3 and 4, with respect to the United States Trust Co. and the Munsey Trust Co.

On the morning of the interview in question I went to the office of the Secretary of the Treasury at the request of the comptroller. The Secretary informed me that he had reason to believe that one or more of the officers of the Riggs National Bank was or were responsible for those articles attacking the administration, and the comptroller in particular, and that he intended inviting Mr. Glover to come to his office for the purpose of interrogating him as to the origin of those articles. I then left the Secretary's office and returned later, when sent for. Comptroller Williams and I went in together. We found Mr. Glover in the Secretary's office. The Secretary turned to Mr. Glover and said in substance:

"Mr. Glover, I am direct in my methods and believe in going straight to the point when I have a situation to deal with. I have reason to believe that you or one of the officers of the Riggs National Bank are responsible for the articles that have appeared in the Tribune attacking this department."

Mr. Glover denied responsibility, and stated in effect that he knew nothing of these articles until they appeared in the paper; that if other officers of the bank were supposed to be involved, he thought it only proper that they should be sent for and questioned.

At his request a telephone message was thereupon sent, asking that Mr. Alles and Mr. Flather come to the office. Shortly thereafter these gentlemen appeared. The Secretary then repeated to them what he had said to Mr. Glover. Both Messrs. Alles and Flather denied responsibility for the articles in question. The Secretary then turned to Mr. Alles and said in substance:

"Mr. Alles, I will be still more specific. My information is that you were responsible for these articles."

Mr. Alles denied that he was responsible. The Secretary then asked, in substance:

"Did you see the articles before they were published?" to which Mr. Alles replied in the negative. The Secretary then asked:

"Did you know the substance of these articles before they were published?"

Mr. Alles then said, "What articles do you mean?"

The Secretary thereupon handed him the newspapers containing the articles referred to. Mr. Alles glanced at them, and said in substance that they were read to him by the reporter, or that he had been over them with the reporter before they had been published.

The Secretary then said, in effect:

"Did you vouch for or authorize their publication?" to which Mr. Alles replied:

"I believe the facts stated in those articles to be true?"

Thereupon the Secretary asked, "Did you state to the reporter that you believed them to be true?" to which Mr. Alles, with some hesitation, replied in the affirmative.

Mr. Williams then said to him that the articles to which he referred were a tissue of falsehoods. The Secretary then turned to Mr. Glover and said, in effect:

"Mr. Glover, I am very glad to acquit you of responsibility in this matter. It is manifest that matters of this kind would not be published unless they had the authority of some supposedly responsible source, and it is for this reason that I wanted to take the matter up with you directly."

This, in effect, closed the interview in so far as it related to the publications in question.

Mr. Alles then volunteered certain remarks about the comptroller, stating that when he (Mr. Williams) had been made Assistant Secretary, about eight months before, he was delighted, but that he had regretted it ever since his appointment, and mentioned some outside matters which were not involved in the articles in question, but apparently in justification of his antagonism to the comptroller.

It was while making these remarks that some insinuations were made by Mr. Alles apparently reflecting both on the comptroller and on the Secretary, whereupon the Secretary, without rising from his seat, turned to Mr. Alles, and in very emphatic language re-erected these insinuations, stating that if he (Mr. Alles) persisted in such remarks it might become necessary for the Secretary to have him put out of the office.

Mr. Flather and Mr. Alles left shortly afterwards, and Mr. Williams and I followed, leaving Mr. Glover with the Secretary.

No statement or remark was made by the Secretary in my presence either in substance or to the effect as stated in the bill—

"Mr. Glover, do you know what that means to the Riggs Bank?" nor did the Secretary say anything that could be construed as a threat of reprisal against the Riggs Bank or of hostility to it.

On the contrary, the explanations of Mr. Glover and Mr. Flather were accepted by him, and the only evidence of resentment during the interview was when Mr. Alles made the aforesaid insinuations, that were in no way connected with the articles in question, but reflected the personal animosity of Mr. Alles.

I was present during the entire time that Mr. Alles and Mr. Flather were in the office of the Secretary, and Mr. Glover remained with the Secretary after the rest of us had left.

The above embodies my entire recollection of the occurrences at that interview.

MILTON C. ELLIOTT.

Subscribed and sworn to before me this 11th day of May, 1915.

RALPH BALDWIN PRATT.

Notary Public, District of Columbia.

The CHAIRMAN. When were those affidavits secured, and for what purpose?

Mr. WILLIAMS. In the Riggs equity suit.

Mr. Chairman and gentlemen—

The CHAIRMAN. Did Mr. Glover testify in that case? It did not get as far as that, did it?

Mr. WILLIAMS. He had filed his bill.

The CHAIRMAN. His affidavits?

Mr. WILLIAMS. He filed a bill.

The CHAIRMAN. In Mr. Glover's affidavits did he state what Mr. Hogan stated before this committee?

Mr. WILLIAMS. He made statements to that effect.

The CHAIRMAN. And it was in response to the statement that Mr. Glover made, or affidavits, that those affidavits were produced?

Mr. WILLIAMS. I understand so.

The CHAIRMAN. Did Mr. Flather also make an affidavit?

Mr. WILLIAMS. My recollection is that the bill filed was signed by several of the officers of the Riggs Bank.

The CHAIRMAN. That is where Mr. Hogan got his information, from those affidavits?

Mr. WILLIAMS. I assume so; I do not know.

The CHAIRMAN. They conform, as I understand you, substantially to his testimony here.

Mr. WILLIAMS. I do not know whether he was testifying about what they may have said to him on the outside or whether he copied it from the affidavit; I do not know. But that remark which I have referred to here I think was substantially as made by the Riggs bill.

The CHAIRMAN. Mr. Hogan said:

Then Mr. McAdoo, in Mr. Williams's presence, this being in 1913, turned to Mr. Glover and said—all this being a matter of sworn public record—"You know, Mr. Glover, what this means to Riggs National Bank."

That refers to what Glover testified to in his affidavit?

Mr. WILLIAMS. I can not undertake to say where Mr. Hogan got his information; I do not know.

The CHAIRMAN. No; but that, in substance, does represent what Mr. Glover testified to in his affidavit—do you know that?

Mr. WILLIAMS. As far as I recall it, it is in line with that; it is in line, as I understand it, with what Mr. Glover had said so far as that particular statement is concerned.

Those two affidavits are in answer to the report that Mr. Hogan, who was not present at the interview, undertook to lay before the committee.

Now, Mr. Chairman and gentlemen, Mr. Hogan in the course of his testimony frequently said that the controversy with the Riggs Bank began on June 9, 1914—over and over again. He gives that as the date upon which the controversy arose. If we assume that it is correct and that the controversy did date from that point, I shall ask the privilege of showing you the attitude of mind of the Riggs National Bank officials at that time, by reading to you and introducing into the record a copy of a letter addressed to me under date of June 9, 1914, the very day which Mr. Hogan sets as the time of the commencement of the controversy:

NATIONAL BANK EXAMINER,
TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY.
June 9, 1914.

The honorable COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: An examination of the Riggs National Bank, Washington, D. C., begun at the close of business May 18, 1914, revealed the fact that a large part of the loans held by this bank were secured by listed and unlisted stock and bonds and by the further fact that some of these stocks and bonds were, according to the statements of the bank officers, purchased through New York brokers, and that a part of these stocks and bonds were purchased through Mr. W. J. Flather, vice president of the Riggs National Bank, a member of the Washington Stock Exchange.

I have prepared a schedule of loans of this class of \$5,000 and over, which is filed with my report of examination, and in order to ascertain just what proportion of these loans was carried on account of compensating balances, and in order to verify, if possible, the amount of stocks and bonds purchased as claimed through New York brokers, and also the stocks purchased through Vice President Flather on the Washington Stock Exchange, I asked my assistant, Mr. E. J. Donahue, to take the copy of the schedule of loans of \$5,000 and over, above referred to, to the Riggs National Bank and note the average ledger balances in pencil opposite the individual names on this schedule.

Mr. Donahue, my assistant, called at the Riggs National Bank to-day at 2.30 o'clock and stated to Mr. H. H. Flather, the cashier, the object of his visit, and that he called as my assistant, under my direction, and representing me as an examiner.

Mr. Donahue reports to me the following: That upon his request made to Mr. H. H. Flather, cashier, that he be allowed to examine the individual ledgers of the bank and to note the average balances maintained by the makers of the collateral notes listed in this schedule, Mr. H. H. Flather informed him that the bank did not require all borrowers on secured paper to maintain balances, and for this reason he would be unable to find accounts in the individual ledgers of a great many of the names of persons to whom loans had been made on collateral.

That statement confirmed the apprehensions or theory which the examiner had at that time as to the source or origin of a great many or of a large portion of the loans of the Riggs Bank. He had suspected that these loans arose from speculative stock and bond transactions rather than through the ordinary current operations of a national bank as generally conducted. I will discuss that further a little later on, however. I will continue reading this letter:

At this time Mr. Milton E. Alles, vice president of the Riggs National Bank, joined in the conversation, and, after Mr. H. H. Flather had stated to Mr. Alles

the purpose of Mr. Donahue's visit, Mr. Ailes inquired of my assistant, Mr. Donahue, who it was that wanted this information, and was informed in answer to this inquiry that Mr. Trimble, the examiner, wanted the information. Mr. Ailes then asked my assistant if I had made other examinations before coming into this bank, and was informed that other examinations of banks had been made by me before coming into the Riggs National Bank. Mr. Ailes then inquired whether or not it was the custom to obtain this character of information from other banks.

At this point in the conversation Mr. H. H. Flather, cashier, said to Mr. Donahue that he would be allowed to examine the ledgers, but would not be permitted to make any notes on the average balances on the schedule to take away with him.

Mr. Donahue then asked Mr. H. H. Flather, cashier, if he would be allowed to go through the ledgers and note on the schedule the names of the borrowers who had no accounts with the bank, to which Mr. H. H. Flather, cashier, replied that he would not be allowed to make any notation on the schedule to be taken from the bank.

Mind you, that is the cashier speaking to the national bank examiner. [Continuing reading:]

Mr. Wm. J. Flather, vice president, joined the group at this time and said: "We make loans to individuals regardless of whether or not they keep accounts, provided they give satisfactory security. If there is anything the matter with our loans, go ahead and criticize them." Mr. Ailes then said, "We will have the comptroller in court in a minute" (in this way showing his disapproval). Mr. W. J. Flather (addressing his remarks to Mr. Ailes) said, "This thing has gone far enough and it might just as well come to a head now."

Mr. H. H. Flather, cashier, then said, "The comptroller can go to hell." Mr. W. J. Flather, vice president, said to tell Mr. Trimble that Mr. Glover, the president of the bank, would be at the bank to-morrow morning, and if he wished to do so, he could see him at that time.

It is my purpose to call upon Mr. Glover to-morrow, the 10th instant, and obtain, if possible, the information desired.

Respectfully,

JAS. TRIMBLE, *Examiner.*

Mr. Chairman and gentlemen, I respectfully ask your attention to the attitude of mind——

The CHAIRMAN. What date is that?

Mr. WILLIAMS. June 9, 1914, the date on which Mr. Hogan says the controversy and trouble began.

That is the attitude of those three officers of that national bank as displayed to the national bank examiner——

The CHAIRMAN. Mr. Glover was not there.

Mr. WILLIAMS. No, sir; he was to be seen the next day. The comment of the vice president, Mr. Ailes, was, "We will have the comptroller in court in a minute."

The CHAIRMAN. In regard to these affidavits, were those controverted by Mr. Ailes and Mr. Flather?

Mr. WILLIAMS. Never that I have heard, Mr. Chairman. (Reading:)

Mr. H. H. Flather, cashier, then said, "The comptroller can go to hell."

Now, I ask you to make note of the attitude of mind of those three gentlemen, three of the active officers of the bank at the time when the controversy is alleged to have arisen or started.

The CHAIRMAN. Does the document that you have contain affidavits of Mr. Flather and Mr. Ailes?

Mr. WILLIAMS. I have no affidavits from them on this subject.

The CHAIRMAN. Did they file any in the equity proceedings?

Mr. WILLIAMS. In answer to this?

The CHAIRMAN. Yes.

Mr. WILLIAMS. Not that I know of.

The CHAIRMAN. They did file affidavits?

Mr. WILLIAMS. I think Mr. Hogan stated that the court generously permitted them to file affidavits, although it was contrary to the usual rules of practice to allow it to be done in a case such as that; but as to exactly what those affidavits were which were filed, I do not recall. I remember one of the affidavits which was filed was the affidavit which resulted in the perjury suit. That was signed by those three gentlemen—Mr. Glover, Mr. W. J. Flather, and Mr. H. H. Flather.

Mr. Chairman and gentlemen, these papers which I have taken the liberty of reading to you are in response to the charges made by Mr. Hogan as to the personal hostility or malice which he says existed on the part of the Treasury officials (p. 150 of the July hearings). I also will simply call your attention right here again to the opinion of the court, which has already been referred to, to the effect that in the judgment of the court, if there was any malice anywhere it was on the part of the complainants, the officials of the Riggs Bank, and not on the part of the Secretary of the Treasury or the Comptroller of the Currency, and in his interlocutory decree he discusses that aspect of the case to some extent.

I think that we would probably be safer in taking the opinion of Mr. Chief Justice McCoy of the Supreme Court on that point than the opinion of Mr. Hogan.

On page 150, where Mr. Hogan stated that he was going now to the main thing, and gives as the first of the two main things the alleged malice toward Messrs. Ailes and Flather, I will now take up the second of what he seems to regard as one of the two main things.

In the fourth line from the bottom on page 150 he says:

Second. George G. Hill, the New York Tribune correspondent, and for some years now the London Times correspondent—or one of the London Times correspondents—wrote the articles which criticized Williams's public conduct with relation to the Munsey-United States Trust Co. consolidation in this city in 1913. Every time he issued a public statement you will find in it an attack on Hill.

That statement, Mr. Chairman, I respectfully submit is a falsification, without the slightest warrant or foundation.

"Every time he"—that is, referring to the Comptroller of the Currency—"issues a public statement you will find in it an attack on Hill." That is so absurd, so ridiculous, that I hardly think it is worth while to comment upon it.

I have issued hundreds, if not thousands, of public statements, and, as far as I recall, Mr. Hill has never been mentioned more than once or twice in those public statements. But that is a fair sample of the accuracy or correctness of most of the statements made to your committee by Mr. Hogan.

He also goes on and says:

Every time Hill has written an article reflecting upon the condition of his public office he has gone after whoever dared publish that article. Not long ago his secretary telephoned to Hill, because Hill, in the Boston Transcript, had written an article about the comptroller's public conduct, summoning Hill before the bar of that supreme tribunal to answer. As I say, he has taken advantage of this proceeding here.

The facts were that my attention was called to a statement published in the Boston Transcript some months ago, which was full of falsifications and incorrect statements calculated to injure me. I made inquiry to ascertain the author of the article—it was not signed by Mr. Hill—and was informed that Mr. Hill was the author of it; whereupon my secretary, assuming that if Mr. Hill were a responsible man, a responsible journalist, he would be glad to have the opportunity of correcting a manifestly untrue statement made by him in the course of an editorial letter to a responsible paper—that he would be glad to correct it and have the mistakes pointed out to him—called him up and asked if he would come over to the Treasury, which, however, he declined to do. As far as I know he has never to this day attempted to repair the false statements which were published in that Transcript article.

Mr. Hogan says, on page 151:

The Riggs Bank at that time, or its officers, had been directing the publicity, because, as you Senators will recognize, there were two aspects to that when we were forced to bring this man to the bar of a court of justice to assert our rights. One was the public aspect, the other was the court aspect. If the publicity was not intelligently handled, a run would have occurred on that bank. Mr. Hill was a man who had experience in handling things of that sort, and he demitted from the Senate gallery. Latterly he has done the same thing, because he is now doing publicity work for the national committee.

Now, the publicity work which Mr. Hogan informs you was done for and at the behest of the Riggs National Bank's officials at that time I think was also equally discreditable to its author because of the misleading and incorrect statements which were published and put out to the press of the country at that time, and to his discredit rather than to his credit.

He next naively informs the committee that Mr. Hill is now doing publicity work for the national committee. If he had not informed the committee of that, I should have suspected it from the characteristic editorials which reached my office a few days ago from two country newspapers, identical in language, both viciously attacking the Comptroller of the Currency, one published, I think, in New Hampshire and the other in Illinois—two small country newspapers, evidently the result of propaganda; and while I have taken no steps as yet to ascertain the origin, it is evident that they came from a common source, and they have certain earmarks of Mr. Hill upon their face. It may be that he did not write those, but the strong suspicion is that he did.

Mr. Hogan praises Mr. Hill and proceeds to read into the record a letter from Mr. Root; but I call your attention to the fact that Mr. Hogan omitted to read into the record a letter from Mr. Hill's former employer, the New York Tribune, who were familiar with his work and who saw fit to dispense with his services. A letter from the Tribune would perhaps have been more significant than a letter from others who may never have employed him.

The CHAIRMAN. Have you got any such letter? Do you know anything about any such letter?

Mr. WILLIAMS. From whom?

The CHAIRMAN. The Tribune, dismissing him.

Mr. WILLIAMS. I do not.

The CHAIRMAN. Well, do you mean to insinuate that they dismissed him——

Mr. WILLIAMS. I mean to say that he separated from them soon after this incident.

The CHAIRMAN. Oh, well——

Mr. WILLIAMS. In connection with the products of Mr. Hill, the Tribune articles, I ask your attention to page 25 of the hearings in February, 1914, where the Tribune articles which are written by Mr. Hill have been discussed. I say at that time:

Now, I am prepared to disprove and, I think, completely, each and every one of the statements which have been published in the New York Tribune, or any other newspaper, which reflects in the slightest degree upon Secretary McAdoo, or upon any other officer of the Treasury, or upon anything which was done by the Treasury Department in connection with this transaction in any way.

The transaction referred to was the United States Trust Co. transaction which had been so savagely attacked by the New York Tribune.

(Continuing reading:)

The CHAIRMAN. There has been no attack before the committee which would reflect upon the department in any way, but the inquiry naturally arose because of these publications, and we wanted to have information about the matter.

Mr. WILLIAMS. Yes, sir; and it is a tissue of falsehoods from start to finish. There was no point which they made which can be substantiated; in fact, I hesitate to take up the time of the committee in discussing it.

The CHAIRMAN. Unless the committee desires, I do not think it is necessary to go into that matter.

Mr. WILLIAMS. I am prepared to do so if it is desired.

The CHAIRMAN. The only point in it was that it was suggested that there was some injustice and impropriety upon the part of the Treasury Department as administered through yourself.

Mr. WILLIAMS. Yes.

The CHAIRMAN. And if there is no particular point the committee desires to inquire about, I do not see any necessity for going on with it.

Mr. WILLIAMS. Some of the statements made are so absurd that they carry their own refutation upon their face. For instance, one of the statements of the New York Tribune was that the action of the department in facilitating or making possible the consolidation or the acquisition of the United States Trust Co. by the Munsey Trust Co. caused a serious injury to the small depositors of the United States Trust Co. That was one of the false statements which they made.

Another one was that by permitting them to hold their doors open a grave injury was done to those depositors.

As I say, most of the statements are manifestly absurd upon their face, but, as I say, if there is any question upon this, or any other matter among the many false statements which have been floating around—and which are not specific, but are in the shape of insinuations or innuendo—which the committee desires to ask about, I shall be most happy to have the privilege of answering them.

The CHAIRMAN. Is there any other question by any member of the committee?

Senator WEEKS. Mr. Chairman, I very much doubt whether this is the place or the time for investigating this particular matter. I am rather inclined to think that the Treasury Department did the right thing in coming to the rescue of this situation. That is my personal view. I do not recall any other case where the Treasury Department similarly acted, but there were ample reasons why it did so in this case. My feeling is that the banking capital of Washington is excessive; and I think that there are quite likely a good many weak banks in Washington; and it is possible that there might have been other runs started if something had not been done. We are really not investigating that matter and this is no place for it.

Despite the fact that the whole record shows that the false statements in the Tribune articles were pointed out time and again,

attention called to them by Secretary McAdoo and by me, yet Mr. Hogan comes before you and says, on page 35 of the July hearings:

I read those articles at the time. I think they are some part of one of the documents before the Senate now. I heard them denounced as malicious falsehoods, but I have never known of any fact in them to be pointed out as false.

Statements which have been denounced time and again and pointed out as maliciously false.

I call your attention, Mr. Chairman and gentlemen, to my answers to what Mr. Hogan, on page 150, had declared to be inferentially the main things, the main objects of his attack—to be exact, his language is—

But I have not shown you the main thing even yet. One of the things—

Then he goes on, and then comes to those two things. Those are what he appears at that time to have regarded as the two main things which were the objects of his condemnation and reprobation and for which in neither case was there the slightest foundation.

Mr. Chairman, I understood you to say, sir, that we would go on to-morrow?

The CHAIRMAN. At 10 o'clock, Mr. Williams, if you desire to.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. Have you completed all that you care to put in to-day?

Mr. WILLIAMS. The next subject that I will take up I would rather follow consecutively, if agreeable.

The CHAIRMAN. Very well. We will adjourn until to-morrow morning at 10 o'clock.

(Whereupon, at 4.30 o'clock p. m., the committee adjourned until to-morrow, Saturday, July 26, 1919, at 10 o'clock a. m.)

NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY,
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 8

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
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HJ273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

SATURDAY, JULY 26, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean, presiding.

Present: Senators McLean (chairman), and Page.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency, and others.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, at yesterday afternoon's hearing I discussed and pointed out to you the fallacies and absurdities of what Mr. Hogan had characterized as the two main things, namely, the alleged antipathy toward Ailes and Flather, who had been witnesses in opposition to my confirmation five years ago, and my alleged dislike of Mr. Hill, the New York Tribune correspondent. Mr. Hogan's purpose seems to have been to swamp the record with a conglomeration of distortions and untruths. He has proven himself to be such a rapid-fire falsifier that it will necessarily take some of your valuable time, and of my time, to point out to you his principal misstatements, but I ask your indulgence while I do so.

Mr. Hogan in his testimony has made reference to the communication which he says I addressed to the Boston Transcript in regard to an article which Mr. Hill had written and printed in that paper. I beg leave to read my letter to the Boston Transcript on that subject, referring to that article:

DECEMBER 30, 1918.

MANAGING EDITOR, *Boston Evening Transcript*,
Boston, Mass.

DEAR SIR: I am writing to ask your attention to articles regarding the office of the Comptroller of the Currency, and my conduct of it, appearing in the Transcript of November 30, on page 10 of part 1, and October 5, on the stock market page.

Please believe that I do not object to criticism of myself as a public officer, and that I realize it is the right and duty of the press to print such criticism when it appears to be required or deserved. I do object to attacks against me based on flagrant falsehood, obviously incited by malice, probably part of bought propaganda, and intended to assassinate my official and personal character. The established reputation of the Transcript assures me that its management would not knowingly publish slanders of that kind. For that reason I feel confident that you will consider fairly facts which I offer for your consideration.

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with the United States Trust Co. had the offer of ex-Senator Scott to resume the presidency of that institution and to furnish \$500,000 of his own funds been accepted. This arrangement, it is asserted, would have saved the stockholders of the United States Trust Co. from inevitable loss and might have resulted in making their holdings worth their full face value.

"It is also pointed out that had the recommendation of the Comptroller of the Currency been supported instead of repudiated by Assistant Secretary Williams—that the United States Trust Co. be closed and its assets transferred to a receiver appointed by the Government—there would have been abundant opportunity to dispose of the assets and good will of the company without haste and on the most favorable terms."

Mr. NELSON. Did the Comptroller of the Currency intimate to the United States Trust Co. that they would have to go into liquidation or into the hands of receivers?

Mr. WILLIAMS. We will come back to that question if it is not answered here.

Mr. REED. In other words, the charge is that if the doors had closed they would have been able to dispose of their "good will" on most favorable terms?

Mr. WILLIAMS. Yes. Has anyone ever heard of disposing of the good will of a "busted" bank?

December 5 the same paper says:

"Those who take issue with Secretary McAdoo's views, as expressed in his official statement, assert that the depositors of the United States Trust Co. were never threatened with loss until after interference of the Treasury Department and after Assistant Secretary Williams's rejection of the action of the Acting Comptroller of the Currency."

In one article we are told the United States Trust Co. should have been driven into bankruptcy or the hands of the comptroller; in another that it could have been rescued by ex-Senator Scott, or should have been closed and put in the hands of a receiver as a means of protecting depositors and stockholders.

This is merely by way of illustration. Analysis of a file of these articles readily shows how they destroy their own force and the unwisdom of an attempt to meet anonymous accusers and vague charges on ground constantly shifting.

Furthermore, there have been frequent hints of an investigation by Congress of the conduct of the department in this matter. The department would welcome an official and prompt investigation as giving it opportunity to answer specific charges presented by known persons and promising a decisive report of its conduct and the unearthing of the hidden authors of slanders and libels.

Endeavoring to put clearly before the public the facts, it is best, perhaps, to present in chronological order the events leading to the transfer of the United States Trust Co. to the Munsey Trust Co.

At the beginning of this administration the Treasury Department learned that the United States Trust Co. was encumbered with a quantity of slow and unsatisfactory assets. The directors were admonished that they would be allowed six months in which to put their affairs in proper and satisfactory shape. The directors signed an agreement to comply, and to liquidate certain loans which had been criticized.

Early in November of this year the National Bank of Washington had up negotiations looking to a merger with the United States Trust Co. The department was advised that these negotiations were pending, but was not at first asked for aid, and merely awaited results.

Monday, November 16, the president of the National Bank of Washington informed the department that the negotiations had failed. The department had received a preliminary report from Bank Examiner Goodhart showing that the United States Trust Co. had not fulfilled the agreement to require payment of questionable loans, and estimating a shrinkage in capital and surplus of more than \$1,000,000. It was evident the company could not continue business with capital thus impaired, and that unless something was done to save it the closing of its doors would be necessary. Aside from the distress certain to result to its 55,000 depositors, many of them thrifty people of limited means, by the closing of their bank and indefinite deprivation of their money a month before the holidays, the department was forced to consider the possibility of general alarm, of runs on other banks, and of a panic which once begun might have spread far through the country.

Tuesday, November 17, six or eight of the officers of clearing-house banks met at the office of the bank examiner to consider the situation. This meeting was held at the suggestion of the comptroller, to devise plans to protect the local banking situation, and to prevent spread of trouble if the United States Trust Co. was forced to suspend. The comptroller saw little or no hope of saving the trust company, but was anxious to limit the disaster. The bankers present did not agree to furnish the United States Trust Co. with the assistance it needed. Solicitor Elliott, of the comptroller's office, who was present, went at 11 o'clock at night to Secretary McAdoo's home, awoke him, stated the situation, and asked if the Treasury Department would cooperate in efforts to save the trust company. The Secretary replied immediately that the department would give all the help it could properly and legally. Mr. Elliott returned to the meeting of bankers and reported what the Secretary said, but the meeting adjourned without action.

Mr. Hogan's complaints and criticisms were not presented in an orderly manner, or in any logical sequence, and I am a little at a loss as to the best way to answer them. Perhaps for a while it may be well for me to take his testimony, and running over it, point out some of the most prominent of his incorrect and misleading statements.

The CHAIRMAN. Any part of his testimony that you wish to reply to, the committee will be glad to hear you on.

Mr. WILLIAMS. An illustration of Mr. Hogan's loose and untrue statements is found in his reference to an overdraft of about \$6,500 of Mrs. Glover, wife of the president of the Riggs National Bank. Mr. Hogan declared unequivocally:

The comptroller had used the case of that overdraft to make "public comment upon it," but when asked by the chairman whether it was published in any way he had to admit "I do not know."

Mr. Hogan declares on page 90:

The report of the examiner which showed that overdraft was made in October, 1913. It was customary, in the regular conduct of the comptroller's office, that where there was anything to be criticized, as shown by a national-bank examiner's report, the comptroller would write a letter to the bank as promptly as reasonably might be possible after the coming in of the report.

The report in this case was made in October, 1913. The comptroller was writing his animadversions upon that overdraft in 1915.

Commenting further upon the incident Mr. Hogan said:

Yes, but when he is going back in 1915 to write about things in 1913 he is a little slow, you would say, in discharge of that responsibility.

In discussing the incident Senator Fletcher asked:

Is not that letter of 1915 the first time that the comptroller had called attention to the controversy?

Mr. HOGAN. Of Mrs. Glover?

Senator FLETCHER. Yes.

Mr. HOGAN (continuing). I will answer that in a minute. (After referring to a book.) Yes, sir.

That statement of Mr. Hogan was another untruth. The printed record shows that on November 11, 1913, Mr. T. P. Kane, as Acting Comptroller of the Currency, had written to the Riggs National Bank a letter calling attention not only to their "overdrafts," which included this overdraft of Mrs. Glover, but to other irregularities, and I ask that that letter of November 11, 1913, be printed in the record in its entirety. The comptroller had called the bank's attention to many other things—to shortage in its reserve of \$207,780 and overdrafts of \$23,344.69, and on November 19, 1913, the bank had written back a letter admitting its overdrafts and attempting to ex-

plain them, and incidentally explained that among the overdrafts was that overdraft of Mrs. Glover for \$6,500, claiming at that time that Mr. Glover was responsible for the account and that he had to his credit at that time "more than \$26,000," although, of course, as Senator Kendrick pointed out very clearly to your committee, one account was not an offset of the other. In addition to that overdraft of Mrs. Glover, at that same examination the bank was found to be carrying in its cash drawer a debit slip of the president of the bank—C. C. Glover—for \$6,562.50, representing the purchase price due by him for 200 shares of American Can stock, while there was also carried as "cash," although not cash, at the same time, similar items for various other customers, aggregating approximately \$50,000 additional due by various speculators for whom the bank was at that time conducting an active stock-and-bond business.

The CHAIRMAN. That was in 1913?

Mr. WILLIAMS. This was November, 1913, the last examination of the bank prior to my becoming comptroller, and that referred to their condition at that time, immediately before my taking charge of the office.

The CHAIRMAN. As I understand, that practice was stopped after you called the attention of the bank to it?

Mr. WILLIAMS. I am coming up to that practice, and as to how extensive it was.

The CHAIRMAN. Very well.

Mr. WILLIAMS. I should like to introduce right here that letter of November 11, 1913:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, November 11, 1913.

THE BOARD OF DIRECTORS RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: The report of the examination of your bank completed October 23 shows a reserve deficiency of \$207,980, overdrafts of \$23,344.69, and the following paper classed as doubtful by the examiner:

William Barrett Ridgely.....	\$7, 150. 00
Kate F. Ainslee.....	32, 948. 98
Wallace Neff.....	2, 700. 00
	42, 798. 98

Liability for money borrowed is as follows:

Bonds borrowed.....	\$900, 000. 00
Bonds sold under agreement to repurchase.....	1, 221, 823. 45
	2, 121, 823. 45

The examiner states it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit.

The report of condition of the bank for October 21 shows the above liability for money borrowed and a reserve deficiency of \$374,786.

The required legal reserve must be made good at once and this office advised. Liability for borrowed money must be brought within the requirements without delay, the amount of overdrafts materially curtailed, and the doubtful paper given particular attention and collected, charged off or secured beyond question of loss. The irregular items in the cash must be eliminated and the practice of carrying stock items in the cash discontinued.

The directors are requested to advise this office promptly, over their individual signatures, of the action taken to comply with these requirements.

Respectfully,

P. T. KANE,
Acting Comptroller.

In answer to the acting comptroller's letter of criticism, the Riggs National Bank, in its letter of November 19, 1913, which was signed by President Glover, Cashier Flather, and 13 other directors, said:

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders as well as in charging purchasers to accounts. The items above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

I ask your especial attention to this statement, solemnly signed by the directors and the officers, because here is an admission that the bank was doing an active stock-brokerage business, an admission of conditions which they subsequently denied under oath, in connection with the criminal trial for perjury.

The CHAIRMAN. That is your conclusion. Just state the facts, Mr. Williams.

Mr. WILLIAMS. I am stating the facts, Mr. Chairman, and have read to the committee the bank's own statement on that subject.

The CHAIRMAN. Very well.

Mr. WILLIAMS. In his examination at that time Examiner Goodhart criticized the bank for carrying in its cash the stock purchases for account of customers, which should have been charged to their personal accounts when the orders for purchases were given, and not carried in this irregular manner.

Mr. Hogan also in his characteristic fashion exaggerates and magnifies an incident at one of the hearings in February, 1914. He says I made a solemn and fervent promise to Senator Weeks as to the manner in which I would conduct the office of comptroller if confirmed. The only foundation for his untrue story is an inquiry casually addressed to me by Senator Weeks as to whether or not there were any antagonisms which would prevent a fair and impartial administration of my official duties, and I replied to him in the negative. That was all there was to the incident, which Mr. Hogan in his testimony frequently alluded to, distorted, and exaggerated.

The CHAIRMAN. That, as I remember, was in executive session. I remember I was present—that is, there was no stenographer present.

Mr. WILLIAMS. None, so far as I recall. Mr. Hogan's statement or implication, on page 38, that there is or ever was in existence between Secretary McAdoo and myself any correspondence "which would show that there was a deliberate conspiracy to injure the Riggs Bank or its officials" is maliciously untrue and without the least foundation. I dislike to have to deny statements which are obviously false, but Mr. Hogan has established the practice of stating in his testimony before the committee that some absurd statement of his was not denied, and, therefore, endeavors to impress upon the committee the fact that there may have been some foundation for statements which had been thought unworthy of denial. I wish to state here that if I spare the time of the committee by omitting to deny all of his criticisms and complaints, which reflect in any way upon me or my administration, it is not because I do not regard them as wholly unwarranted and untrue.

The CHAIRMAN. Mr. Williams, the committee will give you time to deny every statement that Mr. Hogan made, that you wish to deny, if it takes all summer.

Mr. WILLIAMS. It was my purpose, in making that statement, to deny unequivocally and sweepingly every statement which—

The CHAIRMAN (interrupting). I want you to be careful to do so, because if there is any statement which is not controverted, the committee will have a right to assume that you do not wish to controvert it.

Mr. WILLIAMS. I do deny now the correctness of any statement which reflects upon my administration of this office, and I shall take them up seriatim for the most part, and point them out, as well as their fallacies, as I go along.

The CHAIRMAN. Any item of consequence I shall expect you to treat in that way, if you wish.

Mr. WILLIAMS. On page 38 he declares that the Government's case in the Riggs controversy was "flimsy," despite the fact that the Government won on every point at issue save the purely technical question in the substitution of an "and" for an "or" in a call for special reports. I will refer to that, however, later on.

On page 41 Mr. Hogan makes the following untrue statement:

No criticism respecting the condition of the bank produced by that examination, May, 1914, was brought to our attention, and, although we repeatedly asked for it, we never received it.

On page 30, of volume 1 of the correspondence between the Treasury and the Riggs National Bank, in a letter, dated June 23, 1914, I invite you to note the following criticism by the comptroller's office, based directly upon the disclosures made at the time of the last examination of the bank:

My attention has been called to a certain loan for \$170,203 shown in your "Statement No. 1," alleged to have been made to J. D. Richardson (who, I understand, is a former Member of Congress and a former member of the District Committee), secured by 1,374 shares of the stock of the Capital Traction Co. and sundry other collateral, which loan the bank examiner informs me he considers is inadequately margined. I am informed that this loan, or predecessor loans of which this loan is virtually a renewal, has been in your bank continuously for more than 10 years past; that the money advanced to this borrower has at times been largely in excess of the amount of the present loan, and that in previous years you were frequently admonished by the Comptroller of the Currency that the money which you were lending to this borrower was largely in excess of the amount which you were authorized to loan under the national-banking act; that the admonitions and instructions of this office, however, were repeatedly disregarded, and the loan kept in the bank, although at the present time it appears to be within the authorized limit, though insufficiently secured.

I note that you report that Mr. Richardson's average balance with your bank for the month of May was only \$300, or about one-sixth of 1 per cent of the amount of money which you were loaning him on his insufficiently-secured note. I understand that for the previous 12 months, also, Mr. Richardson's balance was but little, if any, in excess of the balance reported for May.

There was a criticism which had been made to the bank. I also at this point ask your attention to the admission made by Mr. Hogan in his testimony that that loan, so early criticized by the comptroller, when finally liquidated showed a loss to the bank of about \$18,000.

The CHAIRMAN. That was the loss that was charged over to the Flather & Flather account?

Mr. WILLIAMS. I do not know how it was charged, but it was a loss from that loan.

The CHAIRMAN. I think Mr. Hogan stated it was charged over to the Flather & Flather account.

Mr. WILLIAMS. Wherever it was charged, it was a loss, though, to the bank. On page 118 of the hearings, Mr. Hogan refers to that loss.

Further, on page 31, continuing, my letter reads:

A further analysis of the list which you have furnished of loans for \$5,000 or more made by your bank on bonds and stocks, and of your list of the average balances, if any, carried by these borrowers, seems to fully confirm my apprehensions that a strangely or abnormally large proportion of the funds of your bank were being loaned on bonds and stocks to parties who either had no deposit account with your bank, or whose deposit balances were of trivial consequence.

It was in this connection that I thought it pertinent to ascertain to what extent, if any, the officers of the bank may have profited personally through the purchases of these bonds and stocks, upon which the bank was lending large sums of money to friends or customers of the executive officers of the Riggs National Bank, who carried no deposit accounts with the bank, and whose relations with it were thus limited to borrowing its money, or to the dealings in bonds and stocks through its officers.

The CHAIRMAN. You are reading now from one of your communications to the bank?

Mr. WILLIAMS. Yes, sir. I am reading that in response to Mr. Hogan's statement that there had been no criticisms.

The statements which you have submitted to me show that of the \$5,100,000, or thereabouts, loaned on bonds and stocks to parties borrowing \$5,000 or more, about 70 per cent, or say approximately \$3,500,000, was being loaned to borrowers the sum total of whose deposit balances with your bank amounted to less than \$25,000, or say on an average about three-fifths of 1 per cent of their borrowings—many of them having no balances at all.

As I consider that certain of the questions which I have submitted to you in my recent communications have been answered imperfectly or evasively, while others are still unanswered, and inasmuch as some of these questions relate to matters which concern directly other executive officers of your bank, I have thought it best to prepare and submit herewith in quadruplicate a list of interrogatories relating to subjects discussed in our recent correspondence.

So, to facilitate the making of frank replies, those interrogatories were prepared and submitted with the letter.

Further criticisms are made in the comptroller's letter to the Riggs Bank of July 2, 1914, based upon conditions as a result of the May, 1914, examination and subsequent inquiries. On page 77, volume 1, of the correspondence, in a letter to the Riggs Bank by the comptroller of July 2, 1914, the comptroller said, in connection with the testimony of the bond and stock loans of the bank:

My statement that your bank had "\$5,100,000, or thereabouts, loaned on bonds and stocks to parties borrowing \$5,000 or more * * *," etc., does not justify your statement that I said that you had "in excess of \$5,000,000 loaned upon safe and ample collateral security."

They had distorted my statements and misrepresented them. The letter continues:

As a matter of fact, I do not find that the loans referred to are "loaned upon safe and ample collateral security."

I think that can be regarded as certainly another criticism of the bank. On page 78, I said:

I find in your list of borrowers of \$5,000 or more the names of some 40 or 50 women to whom the Riggs National Bank appears to be lending approxi-

Mr. Hogan has dwelt at much length on the comptroller's criticisms of the Riggs Bank's shortages in reserves. The statement referred to was presented partly as a complete and overwhelming refutation of the claim which had been made by the bank in its letter to the comptroller of July 14, 1914, in which it said—and I ask your special attention to this language, a declaration made solemnly by the bank:

Sometimes, but on very rare occasions and for a very short time—a day or two at most—this bank, as all national banks have at one time or another, fallen below the strict requirement respecting legal reserves. * * * Generally the examinations of this bank by your office and our reports of condition, as well as our own records, will show that we have consistently maintained an excess of reserves.

The printed records of the case show that statement to have been wholly misleading, untrue, and utterly without any foundation.

I ask your attention to page 569, volume 3, of the hearings of February, 1919, which show—

The CHAIRMAN (interrupting). That statement is already in the record.

Mr. WILLIAMS. I am not going back to read that whole affidavit, Mr. Chairman, but in answer to a specific charge I ask your permission to reply to it by giving a brief extract from the testimony before you. It is hardly reasonable to suppose that the members of the committee will remember all of those matters which were introduced in the February hearings.

The CHAIRMAN. No; but they are printed and at the convenience of the committee.

Mr. WILLIAMS. This is from page 569:

Practically continuously from January, 1910, to January, 1914, the reports of condition filed by the plaintiff bank with the comptroller showed a shortage in its cash reserve averaging more than \$150,000—the shortage June 4, 1913, amounting to \$500,363. Said reports also show throughout the said period a further average shortage in its reserve for the period of 30 days prior to the date of practically every report of condition by the plaintiff bank. Attached hereto, marked "Exhibit D," and made a part hereof, tables showing the amount and percentages of said deficiencies.

The CHAIRMAN. All that is already in the record.

Mr. WILLIAMS. I am calling your attention to that. I am giving a specific answer to that charge made by Mr. Hogan.

The CHAIRMAN. Yes, but it is there already as an answer to that charge.

Mr. WILLIAMS. I thought it would perhaps be convenient to have it brought out in logical sequence.

The CHAIRMAN. Very well.

Mr. WILLIAMS. It continues:

Said section 5191 provides that if a national bank shall for a period of 30 days fail to make good its deficiency in reserve, after notification from the comptroller to that effect, the comptroller may, with the concurrence of the secretary of the Treasury, appoint a receiver to wind up its affairs.

Mr. Hogan's strictures and criticisms of the table of reserves on page 592 of the February, 1919, hearings were unfair and misleading in the extreme. That table only purported to show the shortage in reserve. It did not undertake to give the occasions on which

the reserves, or a portion of them, were in excess of legal requirements. There is no more reason why that table should have shown such excess reserves as the bank may have had on particular occasions than there would have been for the comptroller to have shown a list of all the loans made by the bank which were within the legal limit when undertaking to present a list of excess loans on a given date.

A further illustration of Mr. Hogan's misleading and garbled statements is given on page 44, where he says:

Mr. Williams states, taking credit therefor to himself, that from a period ending with 18 months after his entrance into the comptroller's office, the Riggs National Bank has been conducted within the law, and in a splendid way.

No such statement was made by me. I never said that the Riggs Bank had been conducted in a "splendid way," but I did say, in my decision renewing the charter for the bank, page 478, hearings of February, 1919, that the report of an examination made at that time showed its condition to be "satisfactory," and that in view therefore of the solemn pledge given by the directors of the bank that they would give special attention in the future to the manner in which the officers and employees of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future would be conducted in strict compliance with the national-bank act and all the laws of the United States and in conformity with the lawful rules and regulations and requirements of the office of the Comptroller of the Currency, and to take all such action as should be necessary to secure that end, etc., a renewal of the charter should be granted. That statement relative to its then condition was made after the bank had ceased its multitudinous infractions of the law and its many irregular practices and dangerous dealings.

I ask your attention to Mr. Hogan's extraordinary disregard of facts as again illustrated in the following statement which he made, as shown on page 46 of part 2 of the recent hearings:

Throughout the correspondence which followed, in so far as it was humanly possible to do so, down to April, 1915, regardless of the character of the request, every request was complied with.

That was a very plain, sweeping, and definite statement. The period during which he claims to have complied with "every request" embraced the call for a special report made on January 22, 1915, for information in regard to the dummy loans made by the bank for the benefit of its officers and employees and for other loans made to those same officers and employees and members of their families. It was the positive and flat refusal of the bank to divulge that information which led to the assessment by the comptroller of the fine of \$5,000 in the comptroller's letter of March 30, 1915. Yet he informed the committee that every request was complied with as far as it was humanly possible to do so.

The CHAIRMAN. If I remember correctly, that very matter was brought up before he concluded his testimony. There was a dispute as to your right to have any more information.

Mr. WILLIAMS. This is not the dispute, as I understand, as to the right, but he says he gave it regardless of whether he was obliged to do so or not.

mately \$1,000,000, equal practically to the entire capital of the bank, on bonds and stocks, many of them of a highly speculative or doubtful character. Some of these loans are inadequately margined, and few, or none, of these borrowers carry any deposit balances with the Riggs National Bank.

On the same page, page 78, I also said:

It appears that the loans, nearly all secured by speculative stocks and bonds, to C. C. Glover, jr., and W. J. Flather, jr., two clerks in your bank, and to H. H. Flather, your cashier, Joshua Evens, jr., your assistant cashier, and W. J. Flather, your vice president, and wife; M. E. Alles, your vice president, and Mary E. Alles, his daughter—

I think it was subsequently said she was his wife, and not his daughter—

E. D. Flather, teller, and G. O. Vass, secretary to M. E. Alles, amount in aggregate, to more than one-fifth of the entire capital of your bank, or more than \$200,000.

I think that could be regarded as certainly another criticism.

In this same letter to the bank I say:

In your letter of the 30th, signed by your president, he says:

"Representing as president of this bank the interests of its depositors, stockholders, and officers, I can not notice the comments and insinuations contained in your letter as I otherwise should."

You and your president are respectfully informed that the letters and communications which I have addressed to your bank or to its president have been in behalf of, and for the protection of, the depositors, and other creditors, and stockholders of the Riggs National Bank, and the "notice" which you and your president are required to take of these letters and communications is to furnish truthful, complete, and unequivocal replies to the questions and interrogatories thus submitted to you. If your officers will but observe the laws, and the rules and regulations of this office (which the records of this department and the reports of national bank examiners, I regret to say, indicate have been, upon divers occasions in the past, and persistently violated and disregarded) anything from your president, either personally or officially, aside from or beyond this is, of course, a matter of indifference to me.

Again, on page 132, volume 1, of the correspondence with the Riggs Bank, I will quote from my letter to the bank of July 22, 1914. I said:

You are hereby admonished that this office strongly disapproves of the policy and practice of having the president, vice president, and cashier of a national bank conduct a brokerage shop, or business, within, and as a part of the business of the national bank, buying and selling speculative and "wild-cat" stocks and other securities on commission and using the bank as the agency for carrying on margin, stocks, and other securities thus bought and sold and dealt in.

The books of your bank show that large sums of money are being loaned on speculative securities to the officers of your bank and to its clerks and employees in these speculations. This office regards this as a demoralizing example to the other employees of your bank.

The CHAIRMAN. Mr. Hogan read that letter into the record, did he not?

Senator PAGE. This is your letter?

Mr. WILLIAMS. This is my letter.

In speaking of the loans made to the cashier of your bank, aggregating \$63,500, you declare that these loans "were secured by high-class, marketable local and out-of-town stocks and bonds, having a market value of \$70,000," although at to-day's prices they barely cover the loan.

Among the "high-class, marketable local and out-of-town stocks and bonds" I note the following: "200 shares St. Louis & San Francisco preferred stock."

Mr. Hogan purported to read that extract from my letter, but I call your attention to the fact that he omitted to give the prices opposite those securities which he read. I shall read the letter as it was.

	Market value.
200 shares St. Louis & San Francisco preferred stock-----	4
100 shares Rock Island Railroad preferred stock-----	

Mr. Hogan omitted that value also. I give the value as $1\frac{1}{2}$.

100 shares Rock Island Railroad common stock.

He also omitted to give on the record the value of that, which is 1.

The CHAIRMAN. Are you giving the market value as at present, or at that time?

Mr. WILLIAMS. At that time. I am quoting my letter. Necessarily, it would be the market value at that time.

200 shares Missouri Pacific Railroad stock, $9\frac{1}{2}$.

Mr. Hogan also omitted that quotation.

200 shares Inspiration Consolidated Copper stock, 18.

350 shares Inter-Continental Rubber stock, $7\frac{1}{2}$.

Among the stocks securing the loans to your assistant cashier, which you approvingly refer to as "recognized stock exchange collateral," I notice—

100 shares American Can, 26.

200 shares Missouri Pacific, $9\frac{1}{2}$.

Among the stocks securing the loans to Vice President Flather of \$63,800 appear 415 shares of Green Cannanea Copper Stock, etc.

Such securities as these I should hardly expect to find in the loans of conservative bank officers and their clerks, who should certainly be expected to scrutinize with special care the collateral placed upon the loans which they may require the bank, whose interests they have sworn to safeguard and protect, to make to themselves.

I note your admission that one of the vice presidents of your bank and your cashier were "interested in, but not liable on," certain other loans (besides their own notes) made by your bank on various collateral, including, among other "securities," Rock Island preferred and common stock, Utah Consolidated Mining stock, Interborough Metropolitan common stock, Pittsburgh Coal common stock, American Linseed, etc.

It appears that for the sake of the commissions collected by your officers in buying and selling bonds and stocks you have been executing orders for women (including Treasury employees), young men, clerks, professional and business men, who have been tempted to engage through you in stock speculations which have proved in various cases costly and damaging, if not ruinous. To facilitate these operations there is, it appears, installed in your bank a private telegraph line connecting you with a stock-brokerage house in New York, and two private telephone lines connecting you with two stock-brokerage offices in Washington.

I again express my surprise that with such a record as that Mr. Hogan should have endeavored to make this committee think there had been no criticism of the bank.

The printed record shows numerous subsequent criticisms of irregular or unsafe transactions and methods which the comptroller's office called upon the bank to remedy, and which I shall be pleased to introduce into the record here, if desired by any member of the committee.

The CHAIRMAN. We will have to leave that to your judgment, Mr. Williams.

Mr. WILLIAMS. Then, if you are uncertain about that, I will reserve the right to produce further criticisms later.

Mr. Hogan has dwelt at much length on the comptroller's criticisms of the Riggs Bank's shortages in reserves. The statement referred to was presented partly as a complete and overwhelming refutation of the claim which had been made by the bank in its letter to the comptroller of July 14, 1914, in which it said—and I ask your special attention to this language, a declaration made solemnly by the bank:

Sometimes, but on very rare occasions and for a very short time—a day or two at most—this bank, as all national banks have at one time or another, fallen below the strict requirement respecting legal reserves. * * * Generally the examinations of this bank by your office and our reports of condition, as well as our own records, will show that we have consistently maintained an excess of reserves.

The printed records of the case show that statement to have been wholly misleading, untrue, and utterly without any foundation.

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The CHAIRMAN (interrupting). That statement is already in the record.

Mr. WILLIAMS. I am not going back to read that whole affidavit, Mr. Chairman, but in answer to a specific charge I ask your permission to reply to it by giving a brief extract from the testimony before you. It is hardly reasonable to suppose that the members of the committee will remember all of those matters which were introduced in the February hearings.

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The CHAIRMAN. Very well.

Mr. WILLIAMS. It continues:

Said section 5191 provides that if a national bank shall for a period of 30 days fail to make good its deficiency in reserve, after notification from the comptroller to that effect, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up its affairs.

Mr. Hogan's strictures and criticisms of the table of reserves on page 592 of the February, 1919, hearings were unfair and misleading in the extreme. That table only purported to show the shortages in reserve. It did not undertake to give the occasions on which

the reserves, or a portion of them, were in excess of legal requirements. There is no more reason why that table should have shown such excess reserves as the bank may have had on particular occasions than there would have been for the comptroller to have shown a list of all the loans made by the bank which were within the legal limit when undertaking to present a list of excess loans on a given date.

A further illustration of Mr. Hogan's misleading and garbled statements is given on page 44, where he says:

Mr. Williams states, taking credit therefor to himself, that from a period ending with 18 months after his entrance into the comptroller's office, the Riggs National Bank has been conducted within the law, and in a splendid way.

No such statement was made by me. I never said that the Riggs Bank had been conducted in a "splendid way," but I did say, in my decision renewing the charter for the bank, page 478, hearings of February, 1919, that the report of an examination made at that time showed its condition to be "satisfactory," and that in view therefore of the solemn pledge given by the directors of the bank that they would give special attention in the future to the manner in which the officers and employees of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future would be conducted in strict compliance with the national-bank act and all the laws of the United States and in conformity with the lawful rules and regulations and requirements of the office of the Comptroller of the Currency, and to take all such action as should be necessary to secure that end, etc., a renewal of the charter should be granted. That statement relative to its then condition was made after the bank had ceased its multitudinous infractions of the law and its many irregular practices and dangerous dealings.

I ask your attention to Mr. Hogan's extraordinary disregard of facts as again illustrated in the following statement which he made, as shown on page 46 of part 2 of the recent hearings:

Throughout the correspondence which followed, in so far as it was humanly possible to do so, down to April, 1915, regardless of the character of the request, every request was complied with.

That was a very plain, sweeping, and definite statement. The period during which he claims to have complied with "every request" embraced the call for a special report made on January 22, 1915, for information in regard to the dummy loans made by the bank for the benefit of its officers and employees and for other loans made to those same officers and employees and members of their families. It was the positive and flat refusal of the bank to divulge that information which led to the assessment by the comptroller of the fine of \$5,000 in the comptroller's letter of March 30, 1915. Yet he informed the committee that every request was complied with as far as it was humanly possible to do so.

The CHAIRMAN. If I remember correctly, that very matter was brought up before he concluded his testimony. There was a dispute as to your right to have any more information.

Mr. WILLIAMS. This is not the dispute, as I understand, as to the right, but he says he gave it regardless of whether he was obliged to do so or not.

The CHAIRMAN. Well, proceed. I do not recollect just what it was.

Mr. WILLIAMS. To show his flagrant inconsistency, on the following page, page 47, Mr. Hogan declares, after asserting that all requests for information had been so faithfully complied with, that the comptroller's fines imposed for refusal to surrender reports aggregated \$160,000 against the bank, a statement also obviously fictitious and untrue. The comptroller had notified the bank that it would be liable, as provided by statute, for certain penalties at the rate of \$100 per day if it should refuse to send the special reports called for, but he never at any time assessed a single penalty save the penalty of \$5,000 assessed on March 30, 1915, for the bank's refusal to give information with regard to dummy loans made by the bank to its officers and employees, and for other information asked for in that letter.

Therefore, Mr. Hogan's statement that the comptroller "crawled," to use his own elegant language, was unjustified, and only another expression of his malice.

The misleading character of Mr. Hogan's statements is again evidenced on page 48, where he says:

So, whenever he imposed, or told us he imposed, these penalties of \$100 a day—and, mark you, \$100 a day for each question not answered was the character of some of his impositions—he would send us a list of, say, 30 interrogatories in quadruplicate.

That statement is unwarranted, for only upon one occasion was the list of 30 interrogatories submitted, and that was necessitated by the refusal of the bank to furnish information which had been repeatedly called for, and in regard to which the bank officials had equivocated, dodged, and avoided a frank and proper reply.

On page 52 of Mr. Hogan's testimony he again flatly charges that the comptroller had actually imposed about \$160,000 of penalties. The language of the comptrollers' letters and the records show that statement to have been false, as heretofore stated.

His statement on page 53 is also false, where he says that the comptroller "had over and over again notified us that he had imposed upon us" numerous fines to which he was referring.

The CHAIRMAN. Mr. Hogan drew his conclusions from the correspondence which passed between you and the bank, and we have all that correspondence.

Mr. WILLIAMS. I beg your pardon, Mr. Chairman. Of course, I understand that to be your view. But I have stated that his conclusions, as stated to this committee, were not and could not have been drawn from the correspondence which passed between this bank and the comptroller's office.

On page 54 of his statement Mr. Hogan makes a sweeping and untrue declaration that the Riggs Bank had won the equity case "on every single, solitary question which was before the court save one."

And the falsity of his utterances is further illustrated when he claims, on page 54, that he can "read to you 20 pages where that man"—referring to the comptroller—"uses words which afterwards he said he did not mean."

That statement is wholly untrue, and Mr. Hogan will find it impossible to point to a single place where such a statement was ever made by me.

Mr. Hogan's declaration or intimation that I was either acquainted with or participated in the offer Mr. Untermeyer is alleged by him to have made, and which Mr. Untermeyer will himself answer in due course, to give the bank immunity from indictment in return for the resignations of three of its officers, is untrue and wholly without foundation as far as I am concerned. Whatever conversation Mr. Untermeyer may have had with Mr. Hogan or Mr. Cromwell, or both, as claimed by Mr. Hogan, he will advise you of when he appears before this committee on Monday.

The CHAIRMAN. He was acting as your counsel?

Mr. WILLIAMS. He was not, sir.

The CHAIRMAN. For whom was he acting?

Mr. WILLIAMS. I do not know. Mr. Hogan gave me the first information that I had about that interview. Mr. Untermeyer had been counsel for the Secretary of the Treasury and myself in the equity proceedings. The equity case was over, had been submitted to the judge, and, as I understood Mr. Hogan to say, it was some weeks after the close of the equity trial, and when Mr. Untermeyer's services to me and Secretary McAdoo as counsel had ended, that he had this alleged interview with Mr. Hogan and Mr. Cromwell, of which I knew nothing, and which was never reported to me.

The CHAIRMAN. You had not seen him or had any conversation with him in regard to it?

Mr. WILLIAMS. I knew nothing of it whatever. I did not know Mr. Untermeyer had ever seen Mr. Cromwell, or that he had ever discussed this subject with Mr. Hogan.

The CHAIRMAN. You never discussed it with Mr. Untermeyer?

Mr. WILLIAMS. I never knew of the incident until Mr. Hogan recited it here the other day.

The CHAIRMAN. No; but you never discussed the matter of staying the criminal proceedings in the event the directors would resign?

Mr. WILLIAMS. It never entered my mind to do so. It never occurred to me it was a matter which would come within Mr. Untermeyer's jurisdiction. It never occurred to me to discuss it with him. The question of the indictment for perjury was with the Department of Justice, to be handled by them as an entirely separate matter, and Mr. District Attorney Laskey has told you that I had no connection with it whatsoever.

The CHAIRMAN. The district attorney testified that you discussed the matter with the Attorney General two months before the indictment was found.

Mr. WILLIAMS. If I may state what I understood the district attorney to say, it was that at the time that that false affidavit was filed, which was during the equity trial, the subject of that false affidavit came up at one of the several conferences which were being held during the course of that trial between the representatives of the Department of Justice and counsel in the case, at which I was present.

The CHAIRMAN. The record will show what the district attorney testified to.

Mr. WILLIAMS. And it was the natural and obvious thing to do at that time for me to watch the equity trial, and Mr. Laskey has stated that at one of the conferences of counsel the perjured affi-

davit, which had just been introduced, was the subject of discussion. But the question of an indictment for perjury was a matter entirely beyond my province.

The CHAIRMAN. The district attorney testified that your examiners appeared before the grand jury as witnesses.

Mr. WILLIAMS. I understood he also testified that Mr. Ailes appeared before the grand jury as a witness in the perjury case. It is customary, Mr. Chairman and gentlemen, when the comptroller's examiners make references to the Department of Justice in regard to infractions of the national bank act, or criminal violations of the law, for them to appear as witnesses before grand jurors, or other jurors, and they are frequently told by the court to appear. It is a part of their duty. They have to do it whether they will or not. Sometimes it is a matter of serious inconvenience, in taking them from their examining duties; but they have to respond to the call of the court.

The CHAIRMAN. Mr. Untermeyer was your counsel in the civil proceedings

Mr. WILLIAMS. He was one of counsel.

The CHAIRMAN. He had also been your counsel at other times, had he not?

Mr. WILLIAMS. I do not recall, Mr. Chairman, that Mr. Untermeyer has ever acted as my counsel in any other matter.

The CHAIRMAN. It seems to me it was testified he had something to do with the Uniontown bank.

Mr. WILLIAMS. He was not my counsel. Mr. Jones has testified that he was on the other side, and complaining of my actions.

The CHAIRMAN. He was on the other side?

Mr. WILLIAMS. He was not representing the comptroller's office.

The CHAIRMAN. You have had no occasion to employ him at any other time except in this Riggs matter?

Mr. WILLIAMS. I recall none other, either officially or personally. But he certainly was not counsel for me or the comptroller's office in any matters relating to the Uniontown bank. He was not acting as counsel for me in any way, and never has, as far as I recall.

The CHAIRMAN. But for the trustees of this stock?

Mr. WILLIAMS. No. I beg your pardon, Mr. Chairman; I think, if my recollection of the testimony is correct, it was stated that Mr. Thompson, the old president of the bank, or his interests, or Mr. Thompson's creditors, had in some way employed Mr. Untermeyer.

The CHAIRMAN. The record will show. I do not remember.

Mr. WILLIAMS. Mr. Untermeyer is a very able and resourceful lawyer, stands high in his profession, and I should feel that any cause committed to his care would be well looked after, but I do not think that I have ever had the pleasure of having him act as my counsel in any case except the Riggs equity case, where he was the counsel for Secretary McAdoo, the Treasury of the United States, and myself.

The CHAIRMAN. Proceed.

Mr. WILLIAMS. Mr. Trimble has just handed me the subpoena addressed to him by the supreme court of the District holding a criminal court, September 21, 1915, summoning him to appear.

The CHAIRMAN. I do not think it is necessary to put that into the record.

Mr. WILLIAMS. All right. A few moments ago I referred to the extraordinary claim made by Mr. Hogan to the effect that the Riggs Bank had won in the equity case. My secretary has just called my attention to the fact that I inadvertently stated that Mr. Hogan had claimed that the Riggs Bank had won on every single, solitary question which was before the court, save one. I should not have said "save one." I should have said "every one." There was no reservation even by Mr. Hogan. His language is found on page 54. "Every one" was his insupportable claim.

The CHAIRMAN. The record will show what points were won and lost. I do not think it is really worth while to take up the time of the committee discussing that finding of the court.

Mr. WILLIAMS. You mean the decision?

The CHAIRMAN. The decision of the court. That is in the record.

Mr. WILLIAMS. On page 58 of the testimony Mr. Hogan declares that I made the statement:

If you will waive the question about the \$5,000 and let that fine stand; if you will go to the board of directors and have the board of directors transmit to the Comptroller of the Currency the resignation of Mr. Glover, Mr. Alles, and Mr. Flather; if you will dismiss that equity suit and agree to abide by the law as laid down by Judge McCoy and take no appeal, then I will give you this charter. Otherwise, I will not.

The chairman asked Mr. Hogan: "Was that a written proposition?"

Mr. Hogan replied: "Yes, sir; that was a written proposition and you will find it here," etc.

Subsequently, however, Mr. Hogan "crawled," for when Senator Hitchcock again asked him, "I ask whether that demand was made in writing?" Mr. Hogan then replied "No,"—eating the words which he had just uttered a few moments before—"The demand was not made in writing, but the ultimate result was put in writing, in a report from the bank to Williams, which writing, however, was dictated by Williams."

I call your attention to the fact that the ultimate result to which Mr. Hogan appears to allude was wholly different from the demand which he said a few moments before that I had made in writing, and it did not involve the waiver of the \$5,000 fine.

Mr. Hogan tells you (page 61), between 1897 and 1902 the bank conducted its real estate, brokerage, and loan business in the name of Glover, Hyde, Johnston, and others, and that the partnership had a capital of \$30,000, but he does not tell you whether the firm paid the bank rent or any portion of the clerical expenses, though he will admit that profits which Mr. Glover and his partners divided among themselves in that period, from their operations, amounted to more than \$45,000. Several years after 1902 the bank, it appears, openly conducted a real estate and brokerage business. This business, it seems, had assumed considerable proportions, for National Bank Examiner Hanna, who is now chief examiner for the New York clearing house, in his report to the comptroller of August 24, 1899, said:

The president and two vice presidents compose the firm of Glover, Hyde & Johnston, who carry on an extensive real estate loan business at the bank, making their profits from commissions. The cash for making these loans is usually furnished temporarily by the bank for one or two at a time, and then the loans are sold to customers of the bank, without recourse on the firm, as

investments. I would estimate at least \$2,000,000 of this paper to be outstanding, the collection and management of which is handled by the collection department of the bank.

On April 20, 1903, referring to the bank's operations, National Bank Examiner Albertson, now vice president of the Mechanics and Metals National Bank of New York, criticized the bank as follows:

It is represented on the Washington Stock Exchange by Charles C. Glover, its president, and W. J. Flather, its assistant cashier. While a source of profit to the association, it is nevertheless in excess of its power, and in this instance is open, notorious, and flagrant.

Referring to the stock and bond business conducted by the bank, he added:

This association daily exceeds the powers granted to it by the purchase and sale of stocks and bonds on commission.

The irregular practices of the bank were criticized in numerous examinations by the same examiner.

On April 22, 1905, he said:

The attention of the department has been heretofore directed to the fact that this bank is engaged in the purchase and sale of stocks, bonds, etc., on commission. This is evidenced by its advertisements in the daily papers and by its books. Seats in the local stock exchange are not owned by the bank but by two of the officers of the bank individually. It has been a source of profit to the bank and no loss has been incurred.

In the examination of May 22, 1906, National Bank Examiner Owen T. Reeves, to whom Mr. Hogan referred very feelingly, repeatedly during his testimony called attention in his report to the following direct loans made by the Riggs National Bank to its vice president, assistant cashiers, paying tellers, receiving teller, ladies' teller, exchange teller, note teller, general bookkeeper, and 34 other bookkeepers and clerks, aggregating more than \$358,000, or more than 35 per cent of the bank's entire capital stock:

Examination of May 22, 1906:

Direct liabilities of officers:

Vice President M. E. Alles	\$34,788.95
Assistant Cashier W. J. Flather	74,000.00
Assistant Cashier H. H. Flather	47,537.50
Paying Teller D. Rittenhouse	600.00
Paying Teller D. M. Kindelberger	40.00
Receiving Teller A. M. Nevius	1,105.00
Ladies' Teller Herman Bestor	56,500.00
Exchange Teller E. D. Flather	3,010.21
Note Teller W. A. Gieseking	28,000.00
General Bookkeeper Joshua Evans, Jr.	11,039.83
34 bookkeepers and others	101,085.00

Now, Mr. Chairman and gentlemen of this committee, I would like for you to ask yourselves what your impressions would be if you had found that condition of things in any national bank.

The CHAIRMAN. That was in 1906?

Mr. WILLIAMS. Yes. It was the criticism made by Mr. Owen T. Reeves, national bank examiner, to whom Mr. Hogan has so frequently alluded. Was not that time to raise the red flag of danger? Nearly every officer and employee of the bank was using its funds in stock speculations. He says, after naming the vice president, "Both

assistant cashiers, two paying tellers, the receiving teller, the ladies' teller, the exchange teller, the note teller, the general bookkeeper, and 34 bookkeepers, and other clerks."

Mr. Chairman and gentlemen, that was an alarming condition of things. Those loans were made largely upon speculative stocks and other securities, the whole office force of the bank apparently being engaged in speculation.

Referring to those large loans, the examiner said the large loans to the Flather brothers and other minor officials of the bank represented stock purchases or speculation.

The foregoing statement of Examiner Reeves is a flat contradiction of the apology which Mr. Hogan offered for the note teller's embezzlement. He had just read to your committee my statement to this committee in February, 1919, in which I had said:

Mr. WILLIAMS. Oh, I don't recall as to whether—yes; I will say there was an atmosphere of speculation in the bank at that time which was exceedingly unhealthy. At a previous hearing reference has been made to one case where a note teller, I believe, embezzled \$50,000 or \$60,000 of the bank's money. I presume he felt that as the officers of the bank were speculating, that the president of the bank was buying and selling stocks and the vice president was buying and selling stocks, and others, that he could speculate also. The result was that there was an embezzlement; in fact, I think there have been two embezzlements in that bank from time to time in the past. But that was, as I say, I think the example of having the officers of the bank engaged in stock speculations, which was an exceedingly unhealthy one for the bank.

And, commenting upon my statement, Mr. Hogan said:

Before he—

referring to me—

made that statement he could have ascertained the facts, could he not? What impression did he want to create here except that this man Gleseking had become a defaulter by speculating in consequence and as a result of the example set him by officers, when, if he had taken the slightest trouble to find out the truth, he would have learned a remarkable thing—that stock speculation had nothing to do with Gleseking's defalcation. Gleseking was not a stock speculator.

The fact is, this embezzling official had been borrowing from the bank in large or small sums for 10 years previously or more, and had also been stealing from the bank for practically all of that time, and he was reported and shown as borrowing from the bank on the date of Mr. Reeves's examination, to which I have referred, \$28,000.

I hardly think, Mr. Chairman and gentlemen, that it is necessary for me to dwell much upon this condition and these facts which I am bringing to your attention. They are too patent and obvious to need comment before men of your large experience with affairs and knowledge of what correct and sound banking calls for.

The misleading and disingenuous statements made by the bank to the comptroller's office were illustrated by an incident which was brought out by Examiner Reeves in his report of May 22, 1906. In that report he said:

The bank carries a demand note signed Joshua Evans, jr., general bookkeeper, for \$11,939.88. This represents the following stocks formerly carried in "stocks, sec., etc." 1757 Col. Title Ins. Co., 109 Pa. Tel. Co., 155 Peoples Ins. Co., 27 Real Est. Ins. Co., and still belong to the bank. The note shows a curtailment of \$8,523.42, recently, proceeds of 235 Arlington Ins. Co. sold.

I place in the record the following letter from the Riggs Bank to Comptroller Ridgley, dated December 8, 1905, from pages 50 and 51 of volume 3 of miscellaneous letters:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 8, 1905.

HON. WILLIAM B. RIDGLEY,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 1st instant, calling attention to the report of the examination of the Riggs National Bank, of Washington, D. C., made on the 20th ultimo.

We note what you say with reference to excess loans, and have taken steps to comply with your request in this respect.

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

A list of all loans will be submitted to the directors at monthly meetings, as suggested by you.

Now, Mr. Chairman and gentlemen, I ask your particular attention to this paragraph:

We note what you say with reference to shares of stock of various corporations owned by this bank. In compliance with your former request we have practically closed out all our stocks, and the rest will be disposed of as soon as practicable.

The comptroller's office drew the conclusion that the stocks had been sold as they had been instructed to sell them. There was no doubt about it. We assumed, of course, that the stocks had been sold. We took the bank's word for it.

Continuing that paragraph:

Some of the stocks referred to were taken over from the old firm of Riggs & Co., in liquidation.

And held from the organization of the bank in 1895 or 1896 up to December, 1905, about 10 years ago.

Continuing this letter:

We have read the letter of the Comptroller of the Currency, dated December 1, 1905, to which this is a reply.

Very respectfully,

Chas. C. Glover, Arthur T. Brice, M. E. Alles, H. Hurt, J. R. McLean,
James M. Johnston, Thos. Hyde, Wm. J. Flather, R. Ross Perry,
Thomas F. Walsh, Jas. Stillman, F. A. Vanderlip.

Mr. Chairman, I do not believe that all of those directors would have signed that letter if they had known what the true facts were. I believe that they took the word of the officers of the bank that what they said they had done they had done. I now ask your attention to the following paragraph from a letter which Comptroller Ridgley had written to the bank on December 1, 1905:

It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations.

I have shown you that the bank had represented to the comptroller's office that those stocks had been disposed of. The bank examiner, Mr. Reeves, goes beneath the surface and finds out that they had not been disposed of, but were carried on a dummy list in the bank on a note of one of its junior clerks. When Mr. Reeves dis-

covered this deception, Acting Comptroller Kane wrote the following letter to President Glover, under date of June 6, 1906, calling attention to over \$600,000 of unlawful loans carried, and informing the bank that despite the assurances given in its letter of December 8, 1905, that "we have practically closed out our stocks," the same stocks were still largely being carried through a dummy loan of a junior clerk. The letter from the deputy comptroller on June 6, 1906, is found on page 53 of volume 3 of miscellaneous correspondence.

(The letter referred to is as follows:)

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, June 6, 1906.

Mr. CHARLES C. GLOVER,
President the Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes.

W. B. Hibbs & Co.....	\$110,000.00
Maxwell Woodhull.....	\$100,000
Maxwell Woodhull et al.....	50,000
	150,000.00
Thomas L. Hume.....	142,263.75
American Security & Trust Co.....	200,000.00

Three of these loans were excessive at the time of the last examination, when you were instructed to reduce them.

The loans to George T. Dunlap, James D. Richardson, Mary E. Patten, and J. Maury Dove, which were reported as excessive at the time of the previous examination, have still the appearance of excessive loans slip up into accommodation notes for amounts within the limit, the aggregate still remaining about the same. If these notes are accommodation notes made for the benefit of any one borrower, they should be included with the borrower's liability in fixing the limit, as it is unlawful to evade the statute by indirect methods.

The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Company, Peoples Insurance Company, and the Real Estate Insurance Co., heretofore carried by the banks in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of.

Efforts to dispose of loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention therein.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

In his report of May 31, 1909, the same examiner, Mr. Owen T. Reeves, criticized the Riggs Bank in the following language:

As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-fashioned

and sloppy. For a large and flourishing bank, it lacks all the features of system employed in well-managed city banks.

The same examiner, in his report of November 28, 1910, said:

As stated in former reports, the system of keeping the books and accounts lacks all the features of a city bank. Methods are antiquated and cumbersome.

In the examination of October 15, 1913, the last examination prior to the examination by Examiner Trimble in May, 1914, National Bank Examiner Goodhart stated:

Considerable difficulty was experienced in balancing the notes due to the fact that no man seems to have control of them and as a result they were found in several different departments of the bank.

This same examiner then called attention to about 500 shares of different speculative stocks which were being carried among the bank's assets as cash, and which included the item of \$6,562.50, due by President Glover for the purchase of 200 shares of American Can, and about \$50,000 due some other customers for stocks and bonds purchased by the bank. This examination had been made about six months after the examination by Examiner Hann. That is a different examiner from Examiner Hann, who is now the New York clearing house examiner. Mr. Hann's examination was made in May, 1913, and has been freely praised by Mr. Hogan. Mr. Hann's examination was not complete, and he failed to detect or call attention to various irregularities which were subsequently brought to light.

Mr. Hogan, on page 106, criticized the statement in my letter of November 23, 1914, that:

I regret to have to advise you that I have reason to believe that in a number of cases oaths contained in the afore-said certificates have been violated, and that the declarations in this certificate, in certain cases, were false.

The investigation which followed disclosed that one of the directors of the Riggs Bank had been disqualified for nearly three years because all during that period he had pledged his entire holdings, 10 shares of Riggs stock. It was also shown that Mr. Ailes had incorrectly certified that he was the owner of 1,114 shares of stock, or approximately 1,000 more than he actually owned himself. The bank examiner had discovered irregularities in connection with the directors' oaths, and inquiry which this office thereupon made was thoroughly justified by subsequent developments.

On page 99 of the present hearings Senator Frelinghuysen asked Mr. Hogan:

Is there anything in the record that shows undue favoritism by previous administrations of the Riggs Bank or any other bank?

To which Mr. Hogan replied flatly and promptly:

There is not; there is nothing upon which to found the statement that he wrote.

As a complete and overwhelming contradiction of that statement I again ask your attention to page 540 of the February, 1919, hearings, where Secretary McAdoo, in his affidavit, shows that:

On April 11, 1903, five days before his (Mr. Ailes's) resignation as Assistant Secretary of the Treasury at a time when his arrangements with the Riggs Bank had presumably been effected, he deposited with the Riggs Bank funds of the United States Government to the amount of \$2,900,000, which, together

with \$100,000 that was then on deposit with the Riggs Bank, made a total deposit of Government funds of \$300,000,000, all without interest.

On the same page Secretary McAdoo shows that:

During that time there were 11 national banks in the City of Washington, and the deposits of the Riggs Bank averaged not exceeding 39 per cent of the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874. The average balance of Government funds on deposit in the Riggs Bank from the time the said Alles became connected with the bank in April, 1903, until March, 1907, was \$2,018,957.

Now, Mr. Chairman and gentlemen, I feel persuaded that you will agree with me that it would be impossible to desire a more complete refutation than this of Mr. Hogan's empty claim that there had been "no undue favoritism by previous administrations to the Riggs Bank." The records of the Treasury also show numerous other instances of favoritism to that bank.

Mr. Chairman, I do not think it worth while for me to dwell upon that incident. It shows that the Riggs Bank during that period of years had been favored with nearly eight times as much Government money as all the other national banks of Washington combined. If that is not favoritism, what is it? The vice president of the bank, stepping into the bank five days after he resigns as Assistant Secretary of the Treasury, having charge of fiscal bureaus—the case is so obvious that I feel as if it would be a waste of your valuable time for me to enlarge upon it.

Mr. Chairman, Examiner Trimble has just called my attention to the fact that as he heard my testimony in regard to the embezzlement of some sixty or sixty-five thousand dollars by a paying teller, he was uncertain whether I made it clear that the embezzlement had been going on for 10 years up to the time of its discovery a year or two ago, or for 10 years prior to the time that he was reported as borrowing about \$28,000 from the bank by Examiner Reeves. I do not know my exact language, but what I intended to show was that during these past 10 years while he has been borrowing from the bank he has also in this same period been embezzling funds of the bank in an aggregate sum of some sixty or seventy thousand dollars and that his loans secured by bonds and stocks have figured in the bank's list of loans from time to time throughout that period.

Mr. Chairman and gentlemen, Mr. Hogan complained about and criticized the comptroller's office for what he claimed to be its omission to examine national banks in Washington twice a year, as required by law, and he claimed that the comptroller had been guilty of a serious disregard or violation of law in that connection. He claimed in his testimony before the committee that the comptroller's office had not examined all of the banks of Washington in the year 1915—

The CHAIRMAN. What page of Mr. Hogan's testimony?

Mr. WILLIAMS. I am looking now at page 114. On page 115 the chairman says:

Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

Now, Mr. Chairman, at another part of his testimony he goes on and says that they were not examined, as I understand, twice. There is a statement that they were not examined at all.

Here is a report from the comptroller's office as to what the facts were regarding the examination of local national banks. Let me, however, call your attention to the fact that prior to the passage of the Federal reserve act of December 23, 1913, the law provided for the examination of national banks, such examinations to be made at such times as in the judgment of the comptroller might be expedient or necessary. Prior to the passage of the Federal reserve act there was no requirement in the law that national banks should be examined twice each calendar year. That provision, however, was inserted in the Federal reserve act and is a part of the law as it now stands. It had been the custom to examine them, as a general rule, about twice a year.

Mr. Hogan failed to tell you that requirement arose from a statute which had just gone into effect about the beginning of 1914, which involved the reorganization and enlargement and extension of the examining force of the comptroller's office, and I do not believe that any fair-minded critic would charge the comptroller's office with neglect of duty if he had been unable to put the machinery in operation to provide for the absolute examination immediately of all of the 8,000 banks twice a year, as the law provides. Furthermore, you will find that the law in some States, or the ordinances, provide that each ward shall have a fire engine, or a certain number of fire engines in the ward. That does not mean to say that if there should be a fire in some other ward that that particular fire engine and the men from the fire department stationed there should not go to the scene of the conflagration; and no sane person would criticize the fire department of one ward for going to a large fire in another ward.

It is true that with the numerous additional burdens and responsibilities which were thrown upon the comptroller's office following the inauguration of the Federal Reserve act, in the latter part of the year 1913, we were unable instantly to arrange for the examination twice that year of all national banks in the entire country, although, as a rule, they were pretty well examined. In Washington we did provide that every national bank was examined, not only in the year 1913, but in the year 1914, and in the year 1915.

Mr. Hogan's implication to the committee that it was not done in either 1914 or 1915 is untrue. They were examined at least once each year—every bank in the District, but they were not examined twice for the reasons which I have endeavored to make apparent.

The CHAIRMAN. If you have it there, just put into the record a statement of what banks were examined once, and what banks were examined twice in 1915.

Mr. WILLIAMS. With your permission, I will put in the record a list showing the number of examinations for each bank in the years 1913, 1914, and 1915.

The CHAIRMAN. Very well.

Mr. WILLIAMS. I call your attention to the fact that I was not Comptroller of the Currency in the year 1913, in which year there were a number of banks which were only examined once, as there were in the year 1914. I think it is fair that that statement should be made.

The CHAIRMAN. You have got there a list of all the banks?

Mr. WILLIAMS. National banks.

The CHAIRMAN. All that come under your supervision?

Mr. WILLIAMS. No; all national banks, and building fund associations, and trust companies, also, to a certain extent, come under the comptroller's supervision. I am giving you all the national banks.

The CHAIRMAN. Very well; that is enough.

(The statement referred to by the comptroller is as follows:)

DATES OF ALL EXAMINATIONS OF NATIONAL BANKS IN WASHINGTON, D. C., FOR THE YEARS 1913, 1914, AND 1915.

Farmers Mechanics of Georgetown, D. C., 1913, August 26, 1914, February 27, October 28; 1915, October 21.

Second. 1913, September 11; 1914, June 22; 1915, March 8.

American. 1913, March 27; 1914, March 4, December 16; 1915, October, 25.

Columbia. 1913, August 29; 1914, June 1; 1915, March 4.

Commercial. 1913, April 7; 1914, April 28; 1915, February 23.

District. 1913, March 10; 1914, April 22; 1915, February 3.

Federal. 1913, September 6; 1914, June 10; 1915, March 2.

Franklin. 1913 (not opd); 1914, April 4, September 23; 1915, May 24.

Lincoln. 1913, September 4; 1914, June 12; 1915, March 19.

National Bank of Washington. 1913, February 3, July 9; 1914, June 17; 1915, March 11.

National Capital. 1913, August 28; 1914, February 25, October 20; 1915, October 12.

National Metropolitan. 1913, February 10; 1914, February 27, November 10; 1915, October 14.

Riggs. 1913, May 15, October 16; 1914, May 18, November 13; 1915, August 16, December 30.

The CHAIRMAN. I understood you to say they were all examined once?

Mr. WILLIAMS. At least once.

Mr. Hogan offers as an excuse for the refusal of the Riggs National Bank to permit the national bank examiner to get certain information from the books of the bank in June, 1914, relative to bank balances, the claim that several years previously a previous Comptroller of the Currency had issued orders to national bank examiners to desist from the drawing of deposit balances from the national banks, or from national banks in certain places—I do not know whether it covered absolutely the whole country, or whether there were any exceptions. I ask your special attention to the fact that Comptroller Murray's circular of December 20, 1909, to which he appears to refer, was addressed to all national bank examiners, and instructed them that from that date and thereafter they were to take no records of deposits of national banks, and to destroy all records they had taken relative to deposits of national banks. The records of this office do not indicate in any way that this circular ever went to national banks, or was ever intended for national banks. On the contrary, it has been the practice of the office for years to regard communications to national bank examiners as strictly confidential communications for them only, and not to be shown or exhibited to national banks which they are examining. The comptroller's office has discovered, though, that one or more communications in the past, intended for bank examiners, in some way or another had gotten into the custody of the officers of the banks; and I recall one occasion during the course of this correspondence where the comptroller's office was surprised to find one of these confidential communications in the possession of the officers

of the Riggs Bank, and endeavored unsuccessfully to find out how they had obtained it.

The CHAIRMAN. What was it; do you know?

Mr. WILLIAMS. It was some official communication, intended for examiners only. I forget the particular one, but I can find it.

The CHAIRMAN. Before I forget it: Did you examine the other national banks twice in 1915, outside of Washington?

Mr. WILLIAMS. As a rule, yes; not in all cases. As I have explained, we had not gotten the machinery effected to enable us to make complete examinations of all the national banks.

The CHAIRMAN. Mr. Hogan claims that you made an exception of the banks in Washington.

Mr. WILLIAMS. I am sorry to say that our equipment of examiners was not sufficient to enable us to give two examinations to all the national banks, although we did it as far as practicable.

The CHAIRMAN. Were there many banks that year, outside of Washington, that were not examined?

Mr. WILLIAMS. I think there were probably several hundred.

The CHAIRMAN. But that is all?

Mr. WILLIAMS. What?

The CHAIRMAN. Not more than that?

Mr. WILLIAMS. For example, here is a memorandum from which it appears that in New York City there were 33 national banks there, and 29 of them were examined once, and only 3 examined twice, owing to the pressure upon the force. In Louisville, Ky., there were 8 national banks; 5 of them examined once, and 3 examined twice. In Dallas, Tex., there were 5 national banks; 4 examined once, and 1 examined twice. In St. Louis there were 7 national banks; 5 examined once, and 2 examined twice.

So it was merely that we had not been able—

The CHAIRMAN. The total number of banks that were not examined twice was small in proportion to the number examined once?

Mr. WILLIAMS. I can give you that information if you would like it.

The CHAIRMAN. No; I just asked you—

Mr. WILLIAMS: I should say there were several hundred; not many. You will find in New York that the proportion of banks examined twice was about the same as in Washington, as I read it. In St. Paul, probably the same; St. Louis about the same, I guess. If you wish any further figures—

The CHAIRMAN. That is sufficient for my purpose.

Mr. WILLIAMS. I remind you, Mr. Chairman, that the Federal reserve system was only put into effect in the autumn of 1914, and the country divided into 12 examining districts, under the charge of 12 chief examiners. The readjustments were in process and we had not built the force up to a point where we could carry out fully the requirements and provisions of the law in that respect; but I do not think there was any negligence on the part of the comptroller's office in that matter. They were proceeding as rapidly as they could with the force at hand.

Now, Mr. Chairman, I want to call your attention to another exceedingly disingenuous and misleading statement which was emphasized before this committee by Mr. Hogan. On page 83 he quotes a list of the loans which had been made to the four leading officers

of the Riggs National Bank up to the time that this controversy began. He charges that that statement willfully produced, and was intended to produce, an incorrect and exaggerated impression. His charges are willfully and knowingly false, in my opinion, as I will endeavor to show you.

He says, at page 84:

I will show you the scurrilous criticism of those loans when they were made in other banks, although he did not criticize the other banks.

We will assume Mr. Ailes had \$75,000 collateral, and he borrowed \$50,000 on his note. I illustrate this by writing because I think you gentlemen can follow it. At the end of a quarter he makes a \$5,000 curtail in addition to paying interest, and gives a new note for \$45,000. At the end of the next quarter he makes a \$5,000 curtail, and gives a new note for \$40,000. At the end of the next quarter, in order to make this short, let us say he makes a \$10,000 curtail, and gives a new note for \$30,000. He has borrowed \$50,000, and he has been making inroads into it. Williams takes those notes, each one of those renewals, and he says Mr. Ailes borrowed \$165,000, and in that way in 18 years he reaches the alarming total of \$2,500,000 borrowed by Mr. Glover, or \$584,000 borrowed by Mr. Ailes.

Mind you, he says "in that way"—in other words, he charges that I had exaggerated by that method the loans made by Mr. Ailes and Mr. Glover three and three-tenths times; in other words, that when they would borrow \$50,000 I charged they were borrowing \$165,000, or three and three-tenths times more than they borrowed.

To begin with, I wish to say that the table showing these loans was not prepared, obviously, by me. That table was prepared by the bank, was it not, Mr. Trimble?

Mr. TRIMBLE. Prepared from a list furnished by the bank.

Mr. WILLIAMS. I mean the table from which these loans were gotten was prepared by the bank; and I would suggest that here is the original table of the list of loans from which the table was prepared, and if you desire to do so, I would suggest that you print it in the record.

The CHAIRMAN. Just in a word, Mr. Williams, you can state to the committee what percentage of the loans were as indicated by Mr. Hogan.

Mr. WILLIAMS. I have asked the national-bank examiner to make an analysis of the loans and find out, if possible, to what extent, if any, loans were increased by such renewals. Mr. Hogan states in his testimony, or admits in his testimony, that in presenting that original list the comptroller in that statement had called attention to the fact that there might be some duplications on account of loan renewals. He said it was placed in an obscure place. That statement is false and misleading, because it is in the body of the text and as prominent as anything else connected with the statement, and intended to be for the notice of anyone reading it, in the event that there might have been such renewals. I knew nothing as to what the renewals were. Here is a memorandum which the national-bank examiner has prepared in response to my request—

The CHAIRMAN. It seems to me entirely unnecessary to print that long document in the record, if you can state what percentage of them are renewals.

Mr. WILLIAMS (reading):

Memorandum for the comptroller.

Referring to Mr. Hogan's claims that the borrowings of President Glover and Vice Presidents Flather and Ailes of the Riggs National Bank, from the date

of its organization to 1914, as set forth in your decision upon the application of the bank for an extension of its charter, were made up largely of duplications due to the inclusion of both original loans and renewals thereof, I find from an examination of the original reports of the bank from which the figures appearing in your decision were obtained, the following to be the real facts—

The CHAIRMAN. Is that a summary there?

Mr. WILLIAMS. It is very short. [Continuing reading:]

Of the loans to Mr. Glover aggregating \$2,534,377, as set forth in your decision, it appears that \$386,000 were marked renewals and \$476,000 bear evidence on examination of being renewals, although not so marked—

Although they were marked "Paid," not renewed. [Continuing reading:]

Which leaves the amount of loans made to him during the period under consideration, exclusive of renewals—

and giving him the benefit of the widest interpretation—

\$1,672,377.

The CHAIRMAN. Suppose you put in there Mr. Flather's loans and Mr. Ailes's.

Mr. WILLIAMS. I am going on a little further. Based upon Mr. Hogan's statement, if the calculations had been made as he falsely urges, the amount of the loans would be nearly \$6,000,000. The amount is shown here, however, in the record to have been approximately two and one-half millions, including renewals to which attention was called in the text. [Continuing reading:]

The statement furnished by the bank as to loans made to Mr. Ailes during this period, indicates that each loan was "paid" on a date stated, but a careful analysis of the statement discloses that on the dates on which certain of these loans are reported to have been "paid" other loans were made to Mr. Ailes in which the same, or a part of the same collateral, appear. If we should therefore consider instances of this kind as "renewals" of loans, the renewals would aggregate about \$96,646.92, making his total loans during the period mentioned, exclusive of these possible renewals, \$488,208.25.

According to Mr. Hogan's false calculation if that had been true they would have represented about \$1,600,000 or \$2,000,000. It is stated in this estimate here at something over \$500,000.

Mr. Chairman, the examiner reports that the statements as to the loans of the Messrs. Flather in the shape in which they were presented by the bank did not enable him to make similar analyses, but if you desire it I shall be very glad to call upon the bank to present a statement which will enable us to make a similar analysis of their accounts as well.

The CHAIRMAN. No; it is unimportant. You can leave that statement with the committee. Mr. Hogan states, at the top of page 84, that the bank lost nothing on account of these loans.

Mr. WILLIAMS. The loans to its officers?

The CHAIRMAN. Yes.

Mr. WILLIAMS. I should be very happy if I can inform you on that point. The Supreme Court of the District, in its decision, declared that I would have the right to ask for that information. I did ask for the information as to the loans made to officers, and the bank refused to give it. If I should ask now, in the light of that decision, I could get that information for you.

The CHAIRMAN. You have no knowledge of it?

Mr. WILLIAMS. I have not. It was the refusal of the bank to furnish information in regard to direct and indirect and dummy loans to officers that occasioned the court proceedings. Again, on page 66, Mr. Hogan says:

In May, 1914, one year after that, Examiner Trimble, assisted by various assistants, made a report. We repeatedly asked the Comptroller of the Currency whether or not there was in that report any matter that ought to be brought to our attention for correction. So far as my recollection now goes, up to this date, neither that report nor any extract that has been sent to that bank has contained any criticism, and, therefore, if there was any criticism, it has not been made known to the bank.

That is, I believe, a repetition of a similar statement which he had made earlier in the hearings. I have answered that, I think, by excerpts from letters of criticism, which have already been introduced this morning, and if that is not sufficient I will be pleased to introduce more. Mr. Chairman, on page 67 and subsequent pages Mr. Hogan devotes a great deal of space and time to the discussion of an incident in the summer of 1914 when the Riggs Bank called upon the Treasury to expedite the printing of \$1,000,000 of new currency. The statements of the Riggs Bank in that connection were contradictory, as shown by the record. I will call your attention to one or two places presently. The real facts were these:

There had been stored in the vaults of the Treasury some four or five hundred million dollars of national bank notes to be issued when needed under the terms of the Aldrich-Vreeland emergency currency law. Upon the outbreak of the European war the comptroller's office was flooded with applications from the currency associations throughout the country for currency, from banks that needed it and needed it instantly. The greatest pressure was at New York; and upon the outbreak of the war the Treasury was kept open all day Sunday, August 1, I think it was, or the 2d, and all night long, preparing currency for shipment to New York, to Boston, and to the big cities to have it ready there for the opening Monday morning and Tuesday morning when the situation was likely to become more and more acute.

The situation was an exceedingly grave one, but it was handsomely and efficiently met by the courageous action of Secretary McAdoo in arranging for the distribution of this currency where it was most needed, and immediately. The Secretary of the Treasury and the Comptroller of the Currency were necessarily in very close touch with that situation and had information as to the places where the currency was most needed and the banks to which it should be given first and whose applications were pouring in. The best proof of the wisdom of the course pursued by the Treasury Department and the Secretary of the Treasury at that time is the results which were obtained. Currency was supplied where it was needed and the ship was kept on an even keel. Here and there where a bank would notify the Treasury that it must have hundreds of thousands or millions in currency, orders were rushed into the bureau in cases where the currency was not on hand, to engrave the new notes; and the Bureau of Engraving and Printing was running 24 hours a day. Some of the people there were working not only in two or three shifts, but in 24-hour shifts, in order to meet that situation.

The Riggs Bank about that time had in the vaults of the Treasury. I think it was about \$200,000 in notes which had not been called for and were not apparently needed at that time. They sent in an order to have engraved for them a million dollars of additional notes. When the order was received, knowing that the bank had already a considerable amount ahead, and that there was no application pending from any currency association from the Riggs Bank necessitating immediate and emergency action, I asked the Riggs Bank to advise the office in regard to the collateral which it might have available for the issuance to it of emergency currency. That inquiry appears to have been resented by the bank, and they sent in, in response to my inquiry as to their eligible collateral, certain lists of securities on the theory if they should have to ask for emergency currency—and they had not asked for it—they would expect to put up such and such class of collateral. I told them that under the law the collateral of the class suggested by them was not eligible and available, and asked what else they had. The character of their correspondence was so evasive and so unsatisfactory, Mr. Chairman and gentleman, that I felt a real concern to ascertain how they were off for collateral which they could use for that currency; and it was the pursuance of those investigations which appears to have occasioned a great deal of irritation on the part of the bank's officers and a great deal of needless correspondence. But that is the long and short of that incident.

I will also say that Mr. Hogan's statement to you is exceedingly unfair and misleading in intimating that in calling for them to present, as I did, later on in the course of the correspondence, a list of their assets or securities which would be available as a basis for loans with Federal reserve banks, or what we call eligible paper—as a matter of fact, Mr. Chairman, that bank was not discriminated against in requesting them to supply the office with such data as that, for I have several times—I do not know exactly how many times—since the inauguration of the Federal reserve system called upon all of the national banks to furnish precisely that information; that is to say, the amount of eligible paper which they held and which would be available as a basis for loans to the Federal reserve banks.

The CHAIRMAN. Do you know the total issue of currency by that Aldrich-Vreeland bill?

Mr. WILLIAMS. About three hundred and eighty millions.

The CHAIRMAN. That is, that was taken by the banks?

Mr. WILLIAMS. Yes, sir. But I thought it important that my office should know the condition of all the banks as to assets which they had available for loans from the Federal reserve banks.

I want to emphasize the fact that that has probably been called for by me possibly half a dozen times, probably six or eight times, of all the banks in the entire United States. I felt it essentially important, Mr. Chairman, at that time, in view of the conditions of affairs which had been developed as to the management and conduct of its business by the Riggs Bank to assure myself as to their condition in that respect.

In discussing a few moments ago, Mr. Chairman, the stocks which were being carried as collateral for loans by the officers of the bank, I mentioned the fact that Mr. Hogan, in quoting these stocks, had

omitted the prices. That quotation to which I referred at that time will be found on page 73.

On page 76 Mr. Hogan quoted an extract from a letter from the bank officials to the comptroller, dated July 17, 1914, in which he says:

If, notwithstanding all the above facts, you are of opinion that any practice of this bank, or of its officers, does violate either the law or the rules and regulations of your office, then we respectfully submit that you should inform us specifically as to each and every of such practices to which you object, and your reason for so objecting. Upon the receipt of such information we shall at once do all in our power to comply with any legal instructions or suggestions that you may give.

The bank appears to reserve to itself the right to interpret the law, as they did in the correspondence which followed.

The CHAIRMAN. I suppose that they would have the same right that you would, in that respect.

Mr. WILLIAMS. Do you think so; or do you think that a little more attention should be given to the Federal Government as to the interpretation of the law?

The CHAIRMAN. It might be so in a case of importance, that the bank would have the right to resist on legal grounds and wait for the court to pass upon the question. It seems to me that is very clear.

Mr. WILLIAMS. Yes. They claim, as I have shown you, that I did not submit criticisms. At this point I merely refer to the testimony which has already been given on that subject.

On page 79 Mr. Hogan says:

Mark you, gentlemen, this correspondence and this fight were being carried on by this man against the only bank two of whose officers had appeared before the Banking and Currency Committee of the Senate in opposition to his confirmation.

Now, Mr. Chairman, in all fairness I respectfully submit that the fact that two of the officers of that bank appeared against my confirmation five years ago should not be regarded as giving them an immunity bath. It is not fair to say that because they have appeared the comptroller shall never criticize them or discipline them or investigate their bank. I agree with you that it is proper that I should exercise great care and discretion in proceeding against a bank whose officers may have opposed the comptroller or the comptroller's office, but I can not agree with the fact that that should relieve them of the necessity of obeying the law and conducting their bank in accordance with sound and honest practices. I want to say that the fact that they appeared before the Banking and Currency Committee did not affect the bank one way or the other. The Riggs National Bank has been investigated as any other bank has been, or would be investigated, whose officers may have appeared or may not have appeared to oppose the nomination of the Comptroller of the Currency; and I think I have already probably shown you enough of the internal administration of that bank to justify the investigations which were taken up in the summer of 1914 following the reporting to the comptroller's office by the national-bank examiner; but I shall show you others.

I will refer once more to the criticism upon which Mr. Hogan enlarged in regard to the attempted examination of the bank's books

by the national-bank examiner or the assistant examiner on June 9, 1914; the bank refusing to permit the national-bank examiner to make a memorandum from its ledgers and claiming as its justification a confidential order to national-bank examiners promulgated five years before. The Comptroller of the Currency had the right, the complete right, to change that order at any moment, and it was not necessary to change that order to all the banks at the same time. While that order was in force as to examiners generally, the comptroller had an undisputed right to send any examiner into any bank to get any information of that sort or any other information relating to the bank's affairs and condition; and there was no possible justification for the position taken by the bank that there must be issued and printed some order recalling that printed notice a copy of which the bank had got possession of in some manner not disclosed.

Mr. Chairman, in the early part of this hearing I called your attention, I think, to a statement which had been made by Mr. Hogan to the effect that he had always furnished information fully and completely as far as it was humanly possible. I now call your attention to another statement to the same effect made by him on page 86 in which he says:

There was never a time when he asked anything when he was not given the full facts, absolutely, as completely as exhaustive labor could give it to him.

That statement is a complete, downright misstatement. I can refer to the specific request made by this office for a list of the bank's dummy loans to its officers and their families upon the refusal of which the comptroller's office assessed a fine of \$5,000; and yet he tries to put that statement over on this committee.

Only because of your suggestion, Mr. Chairman, that I should be careful to deny specific misstatements in so many cases, I call your attention again to the statement on page 89, where Mr. Hogan says, in referring to Mrs. Glover's overdraft, that in this case the bank examiners knew and the comptroller knew and everybody in the bank knew these were both Mr. Glover's accounts.

I did not know it, nor did the examiners know it, nor did anybody in the bank know it, nor do I believe it was true.

The CHAIRMAN. In regard to your denials of Mr. Hogan, I did not intend to embrace the statements that you yourself consider of no great consequence. I meant any statement which Mr. Hogan made which you deem to be of importance.

Mr. WILLIAMS. Frankly, Mr. Chairman, I do not regard any of them as important, because they are so obviously false.

The CHAIRMAN. As affecting your official conduct.

Mr. WILLIAMS. You mean if true, if they had been true?

The CHAIRMAN. Yes; that would in any way reflect upon your administration.

Mr. WILLIAMS. There are a great many charges and criticisms which I have resented and denounced as false, and I know how I should view them if I were a member of this committee, but as Comptroller of the Currency I do not know exactly how I should deal with them, except to pick them out one by one and add to that a general denial.

Mr. Hogan makes a distorted and unfair reference here to the inclusion or noninclusion in some list of loans by the Riggs Bank to

Treasury officials of a certain old loan made by former Secretary Carlisle. I denounce the motive which he ascribes to that incident, if his facts were correct; but I hardly think it is worth while to take up the time of the committee in going into it.

I make the same statement in regard to his criticism of the inclusion or noninclusion of some note by some official of the State Department bearing the indorsement of Admiral Grayson some years ago.

I think it might be well, in passing, for me to comment upon the euphemistic manner in which he referred to a long line of loans which the bank had been carrying through a long period of years, but which had stopped or had been abated several years prior to my taking office.

The CHAIRMAN. I do not think the committee can be left in any doubt as to your view upon that subject. I think it has been put into the record. It has been discussed several times.

Mr. WILLIAMS. I do not think I have discussed it, Mr. Chairman, have I?

The CHAIRMAN. Your examiners testified as to the situation.

Mr. WILLIAMS. I do not think the examiner has testified.

The CHAIRMAN. Well, you may proceed.

Mr. WILLIAMS. I do not want to take up your time needlessly, Mr. Chairman.

The CHAIRMAN. It may be that I do not remember, but I had an impression that the examiners went very thoroughly into the loans of the bank and their nature.

Mr. WILLIAMS. I do not think the examiners testified before this committee in this matter.

The CHAIRMAN. At some time did they not testify?

Mr. WILLIAMS. No.

The CHAIRMAN. Well, then, you may proceed. I thought I had a distinct recollection. It seemed to me that the matter of the character of the loans had been gone into, but we will probably save time by your proceeding in your own way.

Mr. WILLIAMS. I only wanted to say that Mr. Hogan's statement on page 102 in regard to excess loans, "that is was well recognized that that was a very stringent provision of law, and the law came to be looked upon as admonitory in its character rather than as mandatory, and it had become for years largely a dead letter."

The CHAIRMAN. Did they not testify in the hearings last winter with regard to all these loans—your examiners?

Mr. WILLIAMS. I do not think that the examiners have testified. May I remind you that the Riggs Bank did not come until—

The CHAIRMAN. Yes; I guess it is another matter I have in mind. Very well. You may proceed.

Mr. WILLIAMS. I will say, Mr. Chairman, that it unfortunately appeared to be the attitude of some banks that laws which they thought it unprofitable to observe were admonitory and not mandatory, and they disregarded the provisions of the statute when they thought it to their interest to do so. This law was not a law which the comptroller's office ever disregarded or which they ever permitted the banks to ignore; and the record of the past 15 or 20 years shows that the Riggs National Bank was constantly under criticism for its

infractions of law and disregard of the rules and regulations of the comptroller's office. As opposed to the suggestion or statement made by Mr. Hogan to the effect that the comptroller was very eager and anxious to prevent the correspondence appearing in the record, I ask that you print in this record the letters which passed between the Comptroller of the Currency and the Riggs National Bank up to the time that this controversy began, showing the many occasions on which they were under criticism and also such portion as the committee is willing to print, or that you will permit me to introduce into the evidence all the letters which the comptroller found it necessary to write the Riggs National Bank in his earnest and conscientious endeavor to bring the bank within the law. I will say that there is nothing in the correspondence which—

The CHAIRMAN. I remember, now. That was brought in by Mr. Hogan's testimony where he had the correspondence. Those letters are contained in that correspondence, are they?

Mr. WILLIAMS. He refers to correspondence with previous comptrollers, and that they passed it over. I will show by this correspondence, if I am permitted to introduce it, that they were not passed over, but that they were the subject of constant criticism addressed to the bank.

The CHAIRMAN. If you have any letters of that sort, they may be put into the record if you wish.

Mr. WILLIAMS. All right. Thank you.

I want to say, Mr. Chairman, that I endeavored in my correspondence with the bank—

The CHAIRMAN. I do not think it is worth while to cumber the record with too many of them. I will leave it to your judgment. You realize the situation. This matter has been gone over so many times.

Mr. WILLIAMS. I think so, too. It has been decided by a court.

In my correspondence with the bank, Mr. Chairman, my single object and my only motive was to bring the bank within the law and to protect its depositors and its shareholders. There were no personalities or grievances as far as the officials of the bank were concerned, whatsoever; no grudges which had to be satisfied. It is true that their communications were sometimes of a character well calculated to provoke the most judicial mind, and I have no doubt that some of my communications were forcible and strong and perhaps might be regarded by some people as subject to criticism; but I beg that you bear in mind, Mr. Chairman, that I felt that the reasonable requests of the comptroller's office were being disregarded and his questions were being dodged, and I thought I was being put to a very great amount of unnecessary trouble and that a great deal of unnecessary time was being taken in bringing out the facts and the true condition of that bank.

I want to say emphatically, however, and to call your attention especially to the attitude of mind and temper with which the controversy was opened on the part of the three or four officers of the bank whose testimony I read into the record yesterday, and also bring to your notice the character and temper of the letters which I addressed to the bank, notwithstanding the strong provocation to use forcible language.

I will at another hearing give you the concrete evidence of some of the occasions when I found that the bank was endeavoring to deliberately hide from the comptroller or examiners certain conditions which were developed and which were very well calculated to provoke a public officer or a man who was endeavoring to do his best for the protection and aid of the bank under investigation.

On page 113 Mr. Hogan says:

He was devilling the very life out of the officers of that bank and requiring that we go into our vaults and dig out our records for 20 years with respect to these loans when he had the data. He made this table in spite of the fact that we did not respond to the January 22 letter. He had the thing he asked for, as to all direct loans, or loans made in the names of officers, which was part of the official files of his office from the national bank examiners' reports.

That statement, Mr. Chairman, is the reverse of the truth.

The CHAIRMAN. What you did has been pretty well disclosed by the correspondence.

Mr. WILLIAMS. We realized that we did not have that information. We had it very imperfectly and had only a portion of it and we were trying to get that information from the bank, and it was the bank's refusal to give that very information that caused the assessment of the fine.

I shall give you at another time excerpts from the testimony of one of the bank's officers in which he stated flatly to the examiner or showed to the examiner that it was impracticable for the examiner himself to get the facts in regard to the dummy loans which the bank had been making, and that if the information in regard to those dummy loans was gotten at all it would have to be gotten from the dummies and the bank's officers.

The CHAIRMAN. If you will put in just what you want to insert, matters of record that will contradict Mr. Hogan's statement, that is all that is necessary. If you take too much time to comment on each one of them—

Mr. WILLIAMS. I only want to take time enough to disprove them.

The CHAIRMAN. Well, the records will show. I do not want to limit your time in any way, of course.

Mr. WILLIAMS. I do not know whether it is worth while after what I have said for me to answer further the charge on page 115 by Mr. Hogan that the "primary safeguard of the depositors of the bank," as he expresses it, namely, examinations by examiners, was neglected on the part of the comptroller's officer.

On page 116 he again reiterates his claim so frequently made that we had failed to criticise or to prevent matters which were the subject of criticism, and in the course of an extract which he quotes he says:

If so, why do you not bring to our attention such things as may have met with his disapproval?

I have shown you a few of the things which were fully criticised and objected to.

On page 117 he makes reference to a loan on Rock Island stock by one Musher. The circumstances of that loan as explained to this office at that time were that a large amount, a thousand shares or so, of Rock Island stock had been bought by the bank on commission

AFTERNOON SESSION.

The committee reconvened, at the expiration of the recess, at 2.15 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. I think when we adjourned, Mr. Chairman, I was explaining my motive in making inquiry of the Riggs National Bank as to the bank balances carried by borrowers of \$500,000 or more. I think I had just stated that there were indications that the funds of the bank were being used principally, or very largely indeed, for the purpose of carrying on margin the bonds and stocks bought by the officers of the bank on commission. I had explained the contradictory reports which had been made to the comptroller's office as to what became of the commissions which were charged by the bank's officers for the purchases and sales of bonds and stocks, and for the negotiation of real estate loans.

I had stated that National Bank Examiner Trimble had reported to me that he had been assured by the officers of the bank that those commissions all went to them personally, and it seemed to me, therefore, to be highly improper that those officers, in order to facilitate and carry on bond and stock and real estate operations, should be using not only the facilities and clerical force and office of the bank without rent, but that they should also be using the bank's capital and deposits for the purpose of carrying on margin those bonds, stocks, and securities, many of them very highly speculative, in which their clients were operating. Mr. Hogan has frequently stated to the committee that the nature and character of those operations had been fully explained to previous examiners, but I was endeavoring to point out to you that whatever explanation had been made to previous examiners was in contradiction of the statements made by the officers to the last examiner, Examiner Trimble.

I shall now, with your permission, read a letter which Examiner Trimble addressed to the comptroller's office, or perhaps it may suffice if I read such extracts from that letter as relate to these transactions. On May 28, 1914, in a letter addressed to the Comptroller of the Currency, National Bank Examiner Trimble, in referring to this subject, had said:

The real estate transactions of this bank were handled in a special account in the name of Charles C. Glover prior to April 17, 1914. Since April 17, these transactions have been handled in an account under the name of William J. & H. H. Flather. The Flather brothers state that they make loans as individuals, on real estate located in the District of Columbia, in amounts not exceeding 60 per cent of sale value of property, and that these real estate loans are sold by them to the customers of the Riggs National Bank who are seeking good real estate paper as an investment for idle funds. The Flather brothers state and the records show that they retain all commissions and profits arising from these transactions other than the regular interest. The total volume of this business is about \$500,000 per annum and the profits and commissions arising therefrom are about \$5,000 per annum, which is divided equally between the two Flather brothers. They maintain that in furnishing the bank's depositors with investments of this character that a service is rendered to the bank. The demand for these investments is shown, they claim, by the fact that they have at all times a waiting list of depositors wanting these investments.

President Charles C. Glover and Vice President H. H. Flather are both members of the Washington stock exchange. All profits arising from the

purchase and sale of securities on the exchange by these gentlemen are retained by them, the Riggs National Bank having no connection therewith.

That seemed to be a very clear and unequivocal statement. In addition to that letter Mr. Trimble makes the following affidavit:

These statements made by me in the foregoing letter, signed by me May 28, 1914, were based upon statement and declarations made to me by officers of the Riggs National Bank during my examination of May 18, 1914, and the information was obtained while I was in the Riggs National Bank making this examination.

There is no question at all about the fact that the substance of the statement made in the first paragraph of page 3 was made repeatedly during this examination by the executive officers of the Riggs National Bank in the presence of each other, namely, Mr. Glover and Messrs. William J. and H. H. Flather, and in the definite and express statements which they made to me to the effect that these commissions were all their personal property, and that the bank examiner had no right to inquire into them, they were all in entire accord; and this position was impressed upon me in explanation of their unwillingness or reluctance to permit me to inquire into the details of their account. No suggestion was made to me at this time by them to the effect that these commissions were being invested or had been invested for the bank's benefit; on the contrary, they took pains to tell me that these commissions were their private matters, into which I had no right to inquire.

JAS. TRIMBLE.

The CHAIRMAN. Are you reading now from—

Mr. WILLIAMS (interrupting). Miscellaneous letters relating to correspondence between the Treasury Department and the Riggs National Bank. These are official communications.

On page 15 of volume 4 of the miscellaneous letters there is this, further:

[National Bank Examiner, Treasury Department. Office of the Comptroller of the Currency.]

WASHINGTON, D. C., June 20, 1914.

The honorable COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: In connection with the examination of the Riggs National Bank, Washington, D. C., begun May 18, 1914, please allow me to state:

During the examination of this bank your examiner, in the presence of W. J. Flather, vice president, and my assistant, Mr. E. J. Donahue, asked Mr. H. H. Flather, cashier, what amount of real estate paper was handled annually by the Riggs National Bank through the account of Glover & Flather, which account appeared on the books of the bank as having been transferred April 17, 1914, to the name of Flather & Flather, and what amount of profit was made annually in the transactions recorded in this account, but what disposition was made of these profits.

Mr. H. H. Flather replied that the annual volume of this business was about \$500,000, and had been running about this amount for years, and that he did not know what amount Mr. Glover made out of it, for the reason that that was Mr. Glover's private business, but that he and his brother, W. J. Flather, were making about \$5,000 per annum out of handling these real estate loans, recorded in this account; and that it was done with the full knowledge and approval of the board of directors of the bank; and that the board considered that in doing this real estate business they—Flather brothers—were rendering a service to the bank by furnishing its customers with good real estate investment notes.

Mr. W. J. Flather stated that the work of examining and appraising the property on which these loans were secured was done before and after banking hours, and did not in any way interfere with their duties at the bank.

On Wednesday, May 27, 1914, your examiner, accompanied by his assistant, Mr. E. J. Donahue, called at the Riggs National Bank between 10 and 11 o'clock a. m. for the purpose of verifying information concerning the examination in regard to the disposition of the profits on real estate operations of the

officers of this bank. We were invited into the room of Vice President Alles and, after discussing with Mr. Alles items of expense and salaries paid by the National City Bank, New York, to joint employees of the Riggs National Bank, and other matters, Mr. W. J. Flather and Mr. H. H. Flather came into the room; and in the presence of Mr. Alles, Mr. Donahue, Mr. W. J. Flather, and Mr. H. H. Flather, I again asked what profits were made in handling the real estate paper as recorded in the account formerly carried on in the name of Glover & Flather and transferred to the account of Flather & Flather April 17, 1914.

In answer to this question, W. J. Flather said that the volume of business had been about \$500,000 per annum for many years, while it was carried on by Messrs Glover & Flather, and that it was still about the same in volume, and that they—W. J. Flather and H. H. Flather—were making at the rate of about \$5,000 per annum out of these real estate transactions, which they divided equally between them. In corroboration of this statement, Mr. W. J. Flather said that he would be willing to show us his income-tax return.

No one present contradicted or dissented from the statements made during this conversation.

Respectfully,

JAS. TRIMBLE, *Examiner.*

Sworn to before me and subscribed in my presence by James Trimble this June 20, 1914.

[SEAL.]

M. S. W. DAY,
Notary Public, District of Columbia.

I, E. J. Donahue, assistant to James Trimble, national-bank examiner, have read the foregoing statements, which are true.

E. J. DONAHUE, *Assistant Examiner.*

Sworn to before me and subscribed in my presence by E. J. Donahue this June 20, 1914.

[SEAL.]

M. S. W. DAY,
Notary Public, District of Columbia.

Mr. CHAIRMAN. I think with that evidence before the comptroller, the most natural and obvious thing to do was to pursue the investigation which I thereupon took up, to find whether the capital and resources of the bank were being used for the purpose of conducting this private brokerage and real estate business of these officers. That was the latest information I had. That was the report made to me by the national-bank examiner. I had no personal knowledge on the subject whatsoever, knew nothing from any of the officers of the bank, relied for my information upon the official examiners of the department, and those are the facts that confronted me. Therefore, as I say, it was that I thought it my duty to ascertain whether the bank was being run as a large stock brokerage and real estate business for the benefit of its officers, or whether it was being run in accordance with the terms and provisions of the national-bank act.

The first step which angered and excited the ire of these officers was the inquiry as to bank balances, and we found, as I have told you, that millions of dollars were being loaned on bonds and stocks to people who had no accounts with the bank except the margins on bonds and stocks; that they were not regular customers of the bank, as active deposit accounts, but their accounts were largely, if not principally, confined to their bond and stock deals and operations.

Mr. Hogan has commented and enlarged upon the fact that I made reference to the carrying of mining stocks, as if mining stock was a mere trivial incident, and was used for the purpose of creating an unfair impression or prejudice. It is not true. I found that very large amounts, hundreds of thousands of dollars, of the bank's funds were being loaned on mining stocks and other stocks that were

distinctly and highly speculative and subject to quick fluctuations, and, as I told you, these stocks were being carried for people without financial backing—for clerks, and for women to a large extent, who were not, in the ordinary course of business, expected to keep up with the rapid fluctuations of the market, whose balances in the bank were insufficient to respond to a call for margins, and who, if they should be called upon to provide money, would have to sell something else they had, if they had anything to sell, or make new loans with the bank. I have shown you that millions of dollars of these funds were being loaned to people whose aggregate balances were either trifling or which, in some cases, really were overdrawn.

The CHAIRMAN. As I understand, it was claimed by Mr. Hogan that these parties were all of them wealthy or responsible people; that the bank took no chances; and while they may not have had heavy deposits, yet the security was ample.

Mr. WILLIAMS. Do you understand that to be his claim?

The CHAIRMAN. Yes; as I remember it.

Mr. WILLIAMS. That perhaps was his claim. But that is a claim which is not supported by the facts, Mr. Chairman, as reported to me officially as comptroller, and I have endeavored to point out to you in the hearing this afternoon one particular case, a loan to J. D. Richardson of \$170,000, or thereabouts, which had been under constant criticism by me and by other comptrollers. The bank had been warned to reduce or get that loan paid.

Senator KEYES. How was that secured—by these mining stocks?

Mr. WILLIAMS. By miscellaneous stocks, and securities of questionable value. I pointed out that the bank had refused to heed the warnings of the comptroller, and finally after this correspondence had progressed, had to close the loan out at a loss of \$18,000 to the bank.

The CHAIRMAN. Yes; I think Mr. Hogan mentioned that loan.

Senator KEYES. As I recall it, did he not say something about that being partly made up later to the bank?

Mr. WILLIAMS. I think that was another loan, a loan to one Musher, which had also been charged off as a loss, but which has subsequently collected.

As to the character of the collateral upon which the money was being loaned, I call your attention to the table on page 191 of volume 1 of the correspondence with the Riggs Bank, which shows that they were making loans, at the date of this particular report, aggregating about \$5,500,000, and that the collateral was estimated to have a market value of approximately \$8,000,000. Of course, in some cases, the collateral was largely in excess, and sometimes very scant. But one loan can not be used to margin another. But here is the character of the collateral upon which they were lending the bank's funds.

The value of United States Government bonds which they held as collateral, which was first-class collateral at any and all times, was \$16,000.

They were lending also on State and municipal bonds, valued at \$88,000.

They were lending on railroad bonds, \$534,000.

They were lending on short-term railroad notes, \$21,000.

Of course, they are very liquid collateral, as a rule.

They were lending on industrial and miscellaneous bonds. \$570,000.

The were lending on industrial and miscellaneous notes, \$25,000.

They were lending on railroad stocks, \$1,899,000.

And on oil company stocks—oil company shares in those times were nothing like as common as collateral as they are to-day, nor did they have the stability then that they are supposed to have now, as a rule. They were lending on oil company stocks at that time \$325,000.

The CHAIRMAN. Their stability would depend on what companies they were, would it not?

Mr. WILLIAMS. Yes. This simply says oil company stocks. I do not know what the companies were.

The CHAIRMAN. Mr. Rockefeller's company was good at that time.

Mr. WILLIAMS. On mining company stocks they were lending \$289,000, not an insignificant or trifling amount. In all the cases I am reading the appraised value of the collateral upon which they were lending money. Of course, we do not know how much they were lending on any particular stock, but this is the collateral pledged to secure the money they were lending.

They were lending on real-estate notes, deeds of trust and mortgages, they reported, \$200,000.

As against \$16,000 loaned on Government bonds, \$88,000 on State and municipal bonds, and \$534,000 on railroad bonds, when we come down to industrial stocks and miscellaneous stocks, the collateral upon which they were lending the bank's funds amounted to \$1,056,000, making, as I stated, an aggregate of about \$8,000,000. I have read in the record the list of some of the stocks. I have available to put into the record, if you desire it, a list of the loans and the collateral securing them all. I do not know whether that condensed statement would be sufficient or not.

The CHAIRMAN. Were there any losses on those loans?

Mr. WILLIAMS. I mentioned the Richardson loss of \$18,000. I do not know what the other losses were.

The CHAIRMAN. Do you not know that there were no losses?

Mr. WILLIAMS. I do not. I would say that this information which I have just read as to the character of the collateral held by the bank was information which at that time I thought it proper to get from the banks generally in some of the large cities. It was not an inquiry simply addressed to the Riggs National Bank, as you will see by the following letter which I addressed to the Riggs Bank on September 2, 1914, in which I said:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, September 2, 1914.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIR: Some two weeks ago, on August 18, I requested you to fill out and send to this office a certain blank form which I submitted to you, calling for information in regard to collateral held by you as security for loans, etc.

About the same time I sent a similar statement to the national banks in New York City, also calling for information in regard to collateral held by them. All of the New York banks addressed have, without exception, furnished the information called for, although the preparation of such information involved in

some cases many times as much work as the Riggs National Bank would be required to expend in the compilation of the figures that bank was requested to furnish.

You are now instructed to send to this office the aforesaid reported called for under date of August 18 not later than 3 p. m. September 4, 1914, under the penalties provided in sections 5211 and 5213 of the Revised Statutes. Let the statement be sworn to by your president, two vice presidents, and your cashier.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

I merely mention that to show that we were not merely imposing any burden upon them in asking them to give that data.

The CHAIRMAN. You got the data, did you not?

Mr. WILLIAMS. Eventually. I have read you some of it.

The CHAIRMAN. It seems to me it is hardly worth while to take time on things like that.

Mr. WILLIAMS. I do not wish to do it. It is only because you have notified me that the committee would assume that statements which I do not specifically deny are correct. With all due deference and respect, I was a little surprised at that position from you.

The CHAIRMAN. Matters of importance which you do not deny the committee might assume were admitted. For that reason I told you you would have plenty of time to controvert any item in Mr. Hogan's testimony you wanted to.

Mr. WILLIAMS. Merely for guidance, I would like to know whether I am presumed not to be guilty of these charges made by irresponsible witnesses, who offer no proof. Is the burden of proof upon me to prove my innocence, or upon them to prove that I am properly charged?

The CHAIRMAN. I think the burden of proof is on them.

Mr. WILLIAMS. I am very glad to have you say that.

The CHAIRMAN. Nevertheless, if a witness testifies to an important point which reflects upon your official conduct, and you in no way controvert it, the committee would have the right to assume that the statement was correct.

Mr. WILLIAMS. It is question of judgment, then, between the committee on the one part and myself as to what are important points?

The CHAIRMAN. You have read Mr. Hogan's testimony, and I am sure we all know you are intelligent enough to know what are important and what are not important.

Mr. WILLIAMS. Mr. Hogan enlarged at considerable length, Mr. Chairman and gentlemen, upon the burdens which he claims I imposed upon the bank, and in stating that the force of the bank was required to report at 6 a. m. and were working late into the night, my recollection is that he implied that that extra work was in answering these reports which he says I was calling for in connection with these investigations. I respectfully call your attention to the fact that Riggs National Bank, in a letter addressed to me in June, 1914, had said:

A considerable number of the clerical force of this bank has been compelled since the 1st of the present month to report at the bank about 6 o'clock each morning and to continue each evening at their desks until long after the usual hours for closing, engaged, in addition to their ordinary duties, in the preparation, at your demand, of certain detailed statistical information for the use of the Federal Reserve Board.

At that time the Federal reserve banks were about to be inaugurated, and it became important, in the judgment of the Treasury, that a large amount of statistical information should be obtained, and that information was asked from the banks in the large cities throughout the country, and Riggs was simply one of many banks which were requested, for a certain period, two weeks or thereabouts, to carefully compile and make those reports. That is a quotation from a letter, to which I say:

You apparently refer to the labor involved in furnishing this department the information called for on Forms 14A and 14B, which were sent out to certain national banks prior to the 1st instant.

I sincerely regret that under your system of accounting you should find such difficulty in supplying the data which other large and leading banks in this city assure me they are supplying easily and conveniently and quite without the hardships which you claim are being sustained by your clerical forces in this connection.

Now, Mr. Chairman, the other banks were doing it at very little cost of labor, but if it was burdensome and expensive to the Riggs National Bank, I think it was due to their clumsy, cumbersome, antiquated, and sloppy bookkeeping methods and practices, as described by Examiner Reeves, whom they brought forward as their witness. That is the language with which Examiner Reeves in several reports referred to the system of bookkeeping and the methods employed in that bank. But I am pleased to be able to advise you that as a result of the investigations of the comptroller's office, and the admonitions and suggestions made by the comptroller's office following this examination, those antiquated and cumbersome methods have been greatly improved, and the bank has been brought up to date to a large extent in that matter, and I do not think that if they should be called upon to furnish that information to-day, they would have to come down at 6 o'clock in the morning in order to do it.

I think it is only fair to me to make that brief explanation of that particular incident, upon which Mr. Hogan has enlarged, I think, once or twice.

The correspondence which then took place was with a view to developing the responsibility of the bank in connection with bond and stock operations, who was conducting the business, where the profits went, and that correspondence and those examinations went on for months. If the inquiries had been frankly and promptly answered, two-thirds of the correspondence would have been useless.

The three or four subjects which I embrace in the correspondence can be very briefly summarized:

1. The stock brokerage business of the bank, and matters incidental thereto, the private wires, and how the commissions were disposed of.

2. The request of the national bank for the engraving of a million dollars of new bank notes, when they already had on hand several hundred thousand dollars in the Treasury for which they had not called, and which request I thought it proper to defer in order to enable other banks who needed the money more urgently to be accommodated with emergency notes.

Right on that point, I ask your attention to page 175, volume 1, of the correspondence with the Riggs Bank. A number of letters were going to and fro, and the department's inquiries we felt were

not being frankly answered, and in this letter to the bank of August 13, 1914, I said:

It is unnecessary for me to comment upon the inconsistency in your letter when you say: "You are in error in assuming or supposing that the inquiry and request" for the printing of \$1,000,000 additional currency "was in any sense a hurry order."

They assured me that it was simply in the ordinary routine, that it was not a hurry order, but they were trying apparently to withdraw from correspondence on the subject. I go on:

For you immediately afterwards contradict yourself and admit that "we requested our order for the printing of \$1,000,000 notes for additional circulation to be expedited." Your differentiation between "hurry" and "expedite" is characteristic.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

It was simply those evasions and contradictions which we were encountering all the time in the correspondence, which were very well calculated to strain a man's patience. That was the subject of a good deal of correspondence.

Then later on the question came up of the regularity or irregularity of the directors' oaths. I think that accounted for a portion of the letters in the autumn of 1914. The principal subjects of the discussion were the bond and stock transactions, the speculative ventures of the bank and its customers, and the question as to whether the transactions were within the law or not. And, as I say, every letter that we wrote seemed to be evaded in some way. We could rarely get complete and satisfactory answers to the simplest questions. I shall not tire you with it further.

The CHAIRMAN. The correspondence will show the character of their replies, and we have that correspondence.

Mr. WILLIAMS. To some extent. I shall introduce, without making it too cumbersome, excerpts from the oral examination of the officials by the national bank examiner on two or three points.

Mr. Hogan had claimed that my inquiry in regard to bank balances indicated the idea on the part of the comptroller's offices that the bank should exact what he calls compensating balances. The request for a list of balances carried by borrowers did not arise from any such theory whatsoever. On the contrary, it has been the policy and position of the comptroller's office that it was wrong for a national bank to evade the usury statutes by requiring a borrower who wants to borrow \$10,000 to borrow \$12,500, for example, and take a certificate of deposit of \$2,500 and deposit that as a part of the collateral for his loan. That is simply a method of getting 25 per cent more interest than appears on the face of the note, and to show the disapproval of the comptroller's office of that arrangement, which has been in force in some banks, and in a very exaggerated condition in some, I would mention that we have taken pains to call the attention of the national banks to decisions of the courts which declare that proceeding to be usury. That thought was not in the mind of the comptroller's office at all in calling upon this bank to state what balances were being carried by their big borrowers, but the sole object in making that inquiry was to enlighten the office on the question as to whether or not the Riggs Bank was more of a

brokerage office than it was a bank, and whether the officers of the bank were using, with their customers and clients, the bank's funds to carry stock purchases, the commissions on which were taken by them for their personal account.

I do not want you to have the impression, Mr. Chairman and gentlemen, from my introduction in that list of \$350,000 of loans made to the bank's officers, tellers, bookkeepers, and 34 junior clerks and employees, that that was simply an isolated instance and that that happened 10 years ago and was done away with then. That practice continued up to June, 1914. In that list, as I say, there were \$350,000 of loans to officers and junior employees of the bank.

The CHAIRMAN. 1914?

Mr. WILLIAMS. No. It was 1906 on that list. May 22, 1906, I think, is the date. I do not know how far those loans to the junior bookkeepers and employees may have been dummy loans. We endeavored earnestly to find out to what extent they were dummy loans and how far they were made for the senior officers or for others, but the bank refused to give that information to the comptroller.

The CHAIRMAN. What did they total in July, 1914?

Mr. WILLIAMS. The examination was made in May. I will give you the May examination, the last one. I have not the details here. The liability of officers and directors was something over \$500,000 at that time. But I should be very glad to get the details.

The CHAIRMAN. Was there any question as to the security?

Mr. WILLIAMS. I would have to examine that, too. I will be very glad to get such details as you wish, Mr. Chairman.

I will, however, ask your consideration to Exhibit G to the affidavit of Defendant Williams in the Riggs equity case, showing the loans at certain examinations, at one examination each year for the years 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, down to May 18, 1914. At the May 18, 1914, examination, it appears that the loans to the officers, clerks, and directors of the bank at that time amounted to \$498,000, including \$30,000 to one of the vice presidents, \$39,000 to another, \$16,000 to another, \$63,000 to another, \$63,000 to the cashier, \$4,800 to the assistant cashier, \$1,854 to the exchange teller; Clerk C. C. Glover, jr., \$2,425; Clerk W. J. Flather, jr., \$26,884; Note Teller Giesecking—the man whose embezzlement has been referred to—was then only owing \$1,500; other bookkeepers and clerks, \$7,640; F. A. Vanderlip, director, \$55,000; other directors and other officers, \$185,000. Total, \$498,125.

The CHAIRMAN. You do not know whether there was any security or whether there was any loss on account of those loans?

Mr. WILLIAMS. I can find that out if you would like to have it.

The CHAIRMAN. Oh, no; I think you would have found it out if there had been any.

Mr. WILLIAMS. I tried to find it out. We asked them to give us a list in order that we might find it out, but they refused to give us a list which would enable us to do that.

(The exhibit submitted by Mr. Williams is as follows:)

EXHIBIT G TO AFFIDAVIT OF DEFENDANT WILLIAMS.

Money borrowed by the officers, employees, and directors of the Riggs National Bank, 1903 to 1914, as reported by national-bank examiners.

[This table does not include any dummy loans which the bank held during this period.]

	Nov. 9, 1903.	Apr. 25, 1904.	Apr. 25, 1905.	Nov. 26, 1906.	Nov. 25, 1907.	June 2, 1908.	May 11, 1909.	Nov. 28, 1910.	May 24, 1911.	Aug. 26, 1912.	May 15, 1913.	May 18, 1914.
President, C. C. Glover.....	\$54,000	\$3,000	\$10,000	\$9,500	\$40,000	\$25,000		\$73,000	\$7,000		\$54,000	(¹)
Wife of C. C. Glover.....	12,000					2,000						\$30,000
Vice president, Thos. Hyde ²	32,300	36,400	12,000	14,000	13,500	17,500	\$2,000	59,283	59,283	\$34,000	44,500	39,000
Vice president, J. M. Johnston ³		27,213	34,252	39,252	39,252	30,000	65,000	6,900	6,900	55,500	71,000	16,225
Vice president, M. E. Allen.....	18,700	39,500	42,500	50,252	30,000	30,000	50,000	66,325	59,718	53,000	71,925	63,900
Vice president, Wm. J. Flather.....	10,300	10,300	11,669									
Cashier, A. T. Brice ⁴	18,000	41,800	52,500	28,000	35,000	37,250	41,500	56,500	56,500	56,500	63,500	63,500
Cashier, H. H. Flather.....									865			4,900
Assistant cashier, Joshua Evans.....	6,000	6,400	18,200	600	600	600						
Ladies' teller, David Rittenhouse.....	1,073		17,807	3,010	2,675	2,550						1,854
Exchange teller, E. D. Flather.....				1,605								
Assistant paying teller, A. M. Nevius.....	5,608	1,275	8,506									
Receiving teller, W. S. Peachey.....		23,725	45,100	{ 51,000 \$ 19,000	48,000 \$ 19,000	48,000 \$ 19,000	48,000 \$ 16,000	46,000 \$ 16,000	46,000			
Ladies' teller, Norman Bestor.....	14,325											
Clerk, C. C. Glover, Jr.....												
Clerk, Wm. J. Flather, Jr.....												2,425
Note teller, Wm. A. Gieseeking.....												26,884
Bookkeeper, R. S. Chew.....	13,300	4,000	14,500	15,000	2,000	2,000			1,500			1,500
Other bookkeepers and clerks.....	11,540			125	67			11,300	1,500			47,640
F. A. Vanderlip, director.....					100,000	100,000	100,000	100,000	100,000	100,000	90,000	55,000
Other directors other than officers.....	15,000	40,000	33,505		10,000			81,435	57,500	150,905	365,206	185,497
Total.....	212,146	215,375	293,500	226,344	340,094	323,152	322,500	509,853	385,276	449,995	760,131	498,125

¹ The above table does not show a dummy loan of \$86,500 which was being carried in April and May, 1914, in the name of A. M. Nevius, assistant paying teller of the bank, the proceeds of which note had been turned over to the president, C. C. Glover, who finally paid the note a day or two before the bank examiner began his examination in May, 1914.

² Thos. Hyde and J. M. Johnston retired from the vice presidency of the bank several years ago but remain as directors. A. T. Brice also retired from the cashiership several years ago. Norman Bestor retired as ladies' teller in 1907.

³ Attorney.

⁴ George O. Vass, an employee of National City Bank at Riggs National Bank.

The Comptroller of the Currency in his letter to the Riggs National Bank of March 30, 1915, called attention to the fact that the active officers of the bank were heavy borrowers from other banking institutions in Washington, and said:

"The reports of national bank examiners to this office indicate that the money being borrowed at a recent date from national banks, and from trust companies of the District by four of the senior and junior officers of your bank amounted to more than \$750,000. These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees and by two of the local trust companies. * * *

Mr. WILLIAMS. Mr. Chairman, on the point which you make as to the security, it would be the position of the comptroller's office that those transactions would be irregular if they were made on Government bonds—

The CHAIRMAN. I understand.

Mr. WILLIAMS. By a bank to its clerks, employees, tellers, or assistant cashiers.

The CHAIRMAN. You have made that very clear. But if there had been any loss, I wanted that fact to appear in the record.

Mr. WILLIAMS. There was a loss in the case of one of the men enumerated in that list there, which I have just read you, resulting from embezzlement, of \$65,000.

The CHAIRMAN. Yes; that has been called to our attention.

Mr. WILLIAMS. There was another loss resulting from embezzlement since that date, I think, of some twenty or thirty thousand.

Mr. TRIMBLE. Twenty-eight thousand.

Mr. WILLIAMS. Twenty-eight thousand; the same bank. Proceeding, Mr. Chairman and gentlemen, from page to page in Mr. Hogan's testimony, I find we come on page 134 to a discussion of the perjury suit.

It is the duty of the comptroller's office, when an examiner finds violations of law of an aggravated kind, to report them to the Department of Justice, and I think I have probably gone over that pretty fully.

The CHAIRMAN. You went over that pretty fully in the hearing last winter.

Mr. WILLIAMS. Mr. Hogan says here that no agent of the Department of Justice, and no examiner of the Department of Justice, testified in the trial, and so forth, apparently endeavoring to create the impression that the comptroller's office was in some way attempting to undertake the prosecution, which is, of course, unfounded.

The comptroller and the Secretary of the Treasury were, of course, directly concerned in the equity case, and in all of its steps, and we were astonished when we were advised, with the knowledge that we had of the conditions, that the affidavit which was made the basis for the perjury charge had been submitted. Mr. Laskey has mentioned that that matter was discussed at a conference at the Department of Justice at the time of the equity trial, not at the time of the perjury trial. It would naturally come up at the time of the equity trial as a matter for discussion between the parties concerned, and it would have been very extraordinary if it had not been discussed then.

You were not present this forenoon, Senator Keyes, but I pointed out then that Mr. Untermeyer, as counsel for the Secretary of the Treasury, had practically finished his work when this equity case was submitted. He could hardly have been regarded as counsel for the Secretary of the Treasury or the Comptroller of the Currency in the interval between the submission of the equity case and the perjury trial, or at the time of the perjury trial, or thereafter, and I also endeavored to make it very clear to the committee this morning that the first information which I had as to any discussion, if there was any discussion, between Mr. Untermeyer and Mr. Cromwell and Mr. Hogan, of such a character as Mr. Hogan alleges, was given to me

when Mr. Hogan testified. I knew nothing of it. The question of the affidavit upon which perjury was based was a matter of common conversation everywhere, was discussed between counsel and clients at that time. But as to the disposition and handling of the perjury case, or the avoidance of an indictment, or anything of that sort, my first information that there had been any such proposition—I do not believe there was any such proposition made by Mr. Untermeyer—the first time I heard there was any such charge made was when Mr. Hogan made that statement before your committee. But as I stated this morning, Mr. Untermeyer himself expects to be here on Monday morning, and will undertake to state what did occur in any such conference between the parties named by Mr. Hogan.

It is unreasonable to suppose for a minute that Mr. Untermeyer would have presumed to give any such assurances. He was not in a position to give any such assurances, as far as I could see, and I do not believe, as a reasonable and honorable man, he undertook to give any such assurances, in a case in which he was not concerned, and to which he was not a party. I am simply stating that as an expression of opinion. I do not know what may have occurred, but Mr. Untermeyer will speak for himself.

On page 185 Mr. Hogan says:

We called attention to the fact that Mr. Williams had sent word to us that he would not recharter this bank.

That statement is false. I never sent any such message to the bank.

The next few pages here, Mr. Chairman, go into a discussion of the perjury case and the indictment. I think it will perhaps be best for me to let Mr. Untermeyer make his statement in that connection before I touch upon it further.

If I may interrupt here for a moment, I think you stated to me the other day, outside of the committee, that Mr. Cromwell and Senator Bailey had been invited to come and make statements. Are you expecting them to come?

The CHAIRMAN. I can not tell you about that. Senator Bailey is out of town, and I do not know about him. Mr. Cromwell may come, but I do not know when.

Mr. WILLIAMS. While I am speaking of expectant witnesses, may I ask when I shall have the pleasure of confronting Mr. McFadden before this committee, Mr. Chairman?

The CHAIRMAN. I can not answer that question, Mr. Williams. I shall notify Mr. McFadden.

Mr. WILLIAMS. I should like you to summon him, if it is not presuming too much for me to put it that way.

The CHAIRMAN. I shall notify Mr. McFadden that we intended to close these hearings Monday or Tuesday.

Mr. WILLIAMS. May I ask, if it is not an improper question for me to ask, have you the right to summon him?

The CHAIRMAN. I do not know what his protection would be in the matter. This committee has a right to summon witnesses, but he is a Member of Congress, and I do not want to discuss that.

The CHAIRMAN. As I understand it, he expects to get a special committee appointed in the House.

Mr. WILLIAMS. This committee is ready and is hearing the charges and complaints—

The CHAIRMAN. He is very anxious to succeed in that effort, and that matter is now under consideration, as I understand it. So far as the Senate committee is concerned, Mr. McFadden will be notified that this hearing will close on Monday or Tuesday, and if he wishes to make any statement it will be expected that he do so.

Mr. WILLIAMS. Now, Mr. Chairman, there is one other matter which I see on page 144 which, in accordance with what I understand to be the procedure, it might be well for me to reply to.

Mr. Hogan there speaks of a former vice president of one of the national banks of the city as being a "close personal friend, cheek by jowl with him day in and day out, in the Treasury and on the streets of the city."

The gentleman to whom he refers is not and never was an intimate personal friend of mine. I have never called upon him socially in my life, nor has he ever called upon me socially at any time. Our relations have been purely official, and Mr. Hogan's attempt to establish a close and intimate relationship was simply an endeavor on his part to discolor the facts and to mislead the committee and to produce an impression which he hoped might serve him and injure me. This gentleman to whom Mr. Hogan referred had been for several years an officer of a bank in the South of which I was at one time president. While he was with that bank he was an able, faithful, and, I believe, honorable man. He resigned from that bank to accept, as I recall, the vice presidency of some trust company in New York before I came to Washington, I think several years before I came to Washington. When I came here six years ago he happened to be the vice president of a national bank in this city. He had enjoyed up to that time and subsequently my confidence. I believed him to be a capable and faithful man with a knowledge of banking which had been acquired from his banking experience of over 20 years in various capacities with three or four different banks in Virginia. There was no ground whatsoever for Mr. Hogan's insidious and misleading claim that that bank was a pet of the Treasury, and it meant to imply that there was an unfair or improper favoritism shown to that bank by me with my knowledge or approval.

During the period of speculation which followed the outbreak of the war the examiners reported to me that this officer was not devoting himself as he should do to the affairs and interests of the bank and that there were various matters of criticism in connection with that bank. I sent for the three executive officers of the bank and told them that they must understand that their bank would be required to observe the provisions of the law and regulations and rules of sound banking as closely and as faithfully as any other bank under my supervision, if not more so, and that these irregularities or unsound practices to which the examiner had called my attention must cease, and cease instantly.

They promised that there would be no further cause for complaint as far as that bank was concerned.

I may mention that it is not a very unusual thing for the comptroller to have to send for the officers of national banks to talk to them. We sometimes have to send for them to come from Tennessee

or Texas or wherever the irregularities seem to persist and are not remedied by the correspondence from the office or the admonitions of examiners.

We were assured that there would be no further cause for complaint. The examiner reported to me subsequently that matters had not been corrected, and that there were a number of matters which were subject of grave criticism, and he called my attention to them in some detail. I looked over his report and was impressed with the fact that the national banking law had been violated and that the case should be dealt with sternly, and I instructed him to report it to the Department of Justice forthwith, as he would with any other bank or any other officer who had been guilty of the practices which seemed to exist from the examiner's report.

That officer whom Mr. Hogan has endeavored to make you believe was enjoying special immunities or privileges of some kind from the comptroller's office or from me was forthwith indicted and is now under indictment, and has ceased to be an officer of that bank.

Just at this particular moment, while we are on that special case, if you will permit me, I should like the examiner to make a very brief statement of that incident, if you have no objection.

The CHAIRMAN. Have you not already brought that incident to the attention of the committee?

Mr. WILLIAMS. I thought, perhaps, it might be well to have my statements corroborated, if you desired, by the examiner.

The CHAIRMAN. This is the second or third time you have called it to the committee's attention.

Mr. WILLIAMS. I think this is the only time I have brought it before the committee.

The CHAIRMAN. It is very familiar to me.

Mr. WILLIAMS (after informal discussion which the reporter was directed not to record). Mr. Chairman, on page 149 Mr. Hogan states that Mr. Lammond, who was an employee at one time of the failed firm of Lewis Johnson & Co., filed an affidavit in the Riggs equity case in connection with the charges, I think, of perjury or, rather, in relation to the stock operations of the Riggs National Bank with the firm of Lewis Johnson & Co. He says on page 149:

The trial ended. The next time I met Mr. W. Morris Lammond he was assistant national bank examiner, assigned to the Philadelphia district by the grace of John Skelton Williams, Comptroller of the Currency.

He had prefaced his remark by some statement to the effect that he proposed to show how I favored my friends, or something of that sort.

Mr. Chairman, I think it only proper that I should state here that it is true that many months after the conclusion of the Riggs equity case, and, I think, probably after the conclusion of the perjury trial—I am not sure, but I think it was some time after that—Mrs. Lammond, whom I had never met, nor did I know anything about Mr. Lammond, or even that he was a married man, called at the Treasury at my office one day in great distress and told me that her husband, who had devoted the best years of his life as a bookkeeper or an officer in Lewis Johnson & Co.'s brokerage firm, but who was not in any way, as far as I understand, connected with its irregular dealings, and who, I believe, was appointed one of the receivers of

the Lewis Johnson Co., had been unable to obtain work. She did not know what influences, if any, were being used to prevent her husband from obtaining employment. She made a very pathetic appeal to me to endeavor to find some occupation or position for her husband if it was possible for me to do so. The little woman was almost in tears and seemed deeply distressed as to their future, and hardly knew where they would get their living.

I had never seen Mrs. Lammond before that visit, nor have I ever seen her since, but I was impressed with her story of her husband's fidelity and energy and earnestness and desire to make an honest living for himself and her, and I made some inquiries as to his capability and industry and character, and my inquiries were satisfactorily answered, and I became convinced that he was a capable man whose energy and experience could properly be availed of, and I thereupon arranged to give him a position as clerk in the chief examiner's office in Philadelphia. I do not know that I have seen him since that time. I perhaps may have seen him once or twice; but he has made good over there and has been promoted—and I do not care what criticisms I am subjected to by Mr. Hogan for what I did; I am glad that I did it, and I should do it again in a similar case.

That is all there is to the invidious complaint and charge in regard to Mr. Lammond.

On page 158, Mr. Chairman and gentlemen, Mr. Hogan criticizes the distribution of Red Cross deposits. As an answer to that I ask to be inserted in the record at this place the paragraph covering that subject in my affidavit.

The CHAIRMAN. Very well.

(The paragraph of the affidavit referred to and requested to be inserted at this point in the record is as follows:)

XI. RED CROSS DEPOSITS.

The allegations contained in Article XI of the bill of complaint regarding the circumstances under which the Riggs National Bank ceased to be a depository for the American Red Cross are not true. The facts are as follows:

While Assistant Secretary of the Treasury I was elected treasurer of the Red Cross by a resolution of the executive committee October 18, 1913. On December 10, 1913, at the annual meeting I was again elected treasurer of the Red Cross for the ensuing year, and on December 9, 1914, at the annual meeting was reelected treasurer for the ensuing year.

In the latter part of May, 1914, as treasurer of the Red Cross I ascertained that the plaintiff bank, which at that time carried the principal portion of the accounts of the Red Cross, was only allowing the society interest at the rate of 2 per cent per annum on the major portion of its balances, although it was allowing 3 per cent per annum on one particular Red Cross account whose balance at that time amounted to about 20 per cent of the total of the Red Cross funds on deposit with plaintiff. Knowing that 3 per cent interest was being generally paid by other leading banking institutions in Washington, I wrote to Gen. Davis, chairman of the central committee of the American Red Cross, on May 29, 1914, in regard to securing a better return upon the Red Cross deposits. This letter was as follows:

Gen. GEORGE W. DAVIS,
*Chairman Central Committee American Red Cross,
 State, War, and Navy Building, Washington, D. C.*

DEAR GEN. DAVIS: From memorandum of the treasurer's cash-fund balance on hand May 25, 1914, received from Maj. Coope, it appears that the Red Cross

Society has \$122,247.01 with the Riggs National Bank, upon which only 2 per cent per annum interest is being paid. I understand that the balance with the American Security & Trust Co. is drawing 3 per cent per annum interest. Perhaps you may recall my discussing this subject with you some little time ago, and I am under the impression that the suggestion was made and that the executive committee would probably pass a resolution authorizing or directing the treasurer to require the payment of not less than 3 per cent per annum interest instead of 2 per cent from its several depositaries.

May I inquire whether any formal action was taken by the committee on this subject, and do you not think that the society should require payment of interest at the rate of not less than 3 per cent? There is no doubt about being able to get that rate from thoroughly strong representative banks. An increase of 1 per cent would increase the income of the society about \$1,500 per annum on the basis of the present balance.

Sincerely, yours,

JNO. SKELTON WILLIAMS, *Treasurer.*

In response to this letter to the chairman of the central committee of the Red Cross, the executive committee passed a resolution requesting the treasurer to confer with local bankers with the view of ascertaining the best interest allowances obtainable from the Washington banks and trust companies on deposits of Red Cross funds. Thereupon, letters were addressed to nine of the principal banks and trust companies in Washington, including the plaintiff, inviting them to make their best offers as to interest on both active and inactive accounts of the Red Cross. Nine replies were received from as many banks and trust companies. The offers ranged from 2 per cent to 3½ per cent. The highest bidders were another large national bank, which offered to pay 3½ per cent on active account and 3½ per cent on the inactive account of the Red Cross, and a large local trust company which offered to pay 3 per cent on the active account and 3½ per cent on the inactive account. These bids came in during the month of June, but were not formally submitted to the Red Cross committee on account of the absence from the city of important members of the committee, including the chairman.

Soon after the outbreak of the European war, in August, as treasurer, I wrote a letter suggesting to the chairman of the Red Cross the desirability of calling upon the local depositaries to provide collateral security for the Red Cross deposits. I felt that these funds represented a particularly sacred trust and that it would be especially unfortunate if anything should happen to tie them up or to prevent their payment at that time by the banks holding them, in view of the urgent needs for these deposits for the relief work which the Red Cross so promptly took up in connection with the European war. Pursuant to this suggestion of the treasurer, on August 21, 1914, the executive committee of the Red Cross passed a resolution requiring the treasurer to obtain from local banks or trust companies in which Red Cross funds should be deposited interest at the rate of not less than 3 per cent per annum on daily balances, and also directing the treasurer to call upon the depositaries of Red Cross funds to deposit collateral securities for the protection of the balances placed with such banks or trust companies.

Under date of September 26, 1914, I wrote to Chairman Davis, of the central committee, a letter, advising him that the plaintiff had refused to put up security for the Red Cross funds. In the same letter I reported to Chairman Davis that another certain national bank in Washington, the next largest national bank in the city to the Riggs, and whose offer in the matter of interest on deposits was more favorable to the Red Cross than that of any other bank or trust company, had offered also to provide satisfactory collateral security against deposits and at the same time to allow more favorable interest rates on these deposits than any of the other banks which had been invited to submit offers, namely, 3½ per cent per annum interest on the inactive balance and 3 per cent per annum on the active balance.

On October 1, 1914, the executive committee of the Red Cross adopted a resolution designating the national bank making the favorable offer above referred to as a depositary for Red Cross funds.

By this arrangement the Red Cross receives 3½ per cent per annum interest on its inactive balances and 3 per cent on its active balances, and at the same time gets collateral security for the money held locally on deposit. Although the plaintiff bank had allowed interest at 3 per cent per annum on a certain portion of the Red Cross funds subsequent to April 1, 1913, it had only allowed

2 per cent per annum interest for the entire period prior thereto during which it had been a Red Cross depository, covering several years.

The statement in the plaintiff's bill that I as treasurer of the Red Cross at any time solicited and recommended the acceptance of a certain offer of 3½ per cent by a certain local national bank on active accounts and of 3½ per cent from a certain local trust company on the inactive account of the Red Cross is untrue.

The deposits which the Red Cross had with the plaintiff bank were not summarily withdrawn in the midst of the European war crisis, but were only checked out as needed for use in the work of the society.

The average balance carried by the Red Cross with plaintiff during the six months ending June 30, 1914, was \$118,972. On July 1, 1914, it was \$107,044. On August 1, 1914, it was \$101,151.

For the three months during which financial conditions were most unsettled, August, September, and October, the Red Cross balance with the plaintiff bank averaged: For August, \$114,981; for September, \$190,833; and for October, \$148,757.

The funds were withdrawn beginning in October and were not entirely withdrawn until January, 1915.

I deny that I at any time made efforts to withdraw said Red Cross amount from the plaintiff bank save for the purpose of securing for said Red Cross the most favorable interest upon and a greater protection for its deposits.

Mr. WILLIAMS. Now, Mr. Chairman, I think that that takes us pretty well through Mr. Hogan's testimony, and we come down to Mr. Darlington.

Shall we take that up or not?

The CHAIRMAN. I would like to finish this book to-night.

Senator KEYES. I can stay here until 4 o'clock.

Mr. WILLIAMS. Mr. Darlington states that in the spring of 1915 he called at the office of the Postmaster General in connection with certain conferences or negotiations which it appears had been conducted by Mr. Jeffries, a director of the Riggs National Bank, and certain other gentlemen. I have not had the opportunity of refreshing my memory by discussing this subject with the Postmaster General since Mr. Darlington gave his testimony, but it is true that I was asked to confer in this connection with the Postmaster General and was given to understand that certain parties representing the Riggs National Bank desired to make some proposition in connection with the renewal of the charter. I did not know what they proposed to do or how they proposed to do it. The preliminary negotiations, if there were any, were not with me, nor am I informed in regard to them.

Upon that occasion it was suggested that if those gentlemen would make an offer along certain lines it would be considered. I think Mr. Darlington has made it very clear that no commitments of any sort were given, either by the Postmaster General or by me, as to whether those suggestions or propositions would be favorably acted upon or whether they would not. As to how those suggestions were developed I am not informed, but I presume that they were developed as a result of conferences between Mr. Darlington and Mr. Jeffries and others. Anyhow, I was present for a few minutes when it was suggested that a proposition of that sort might be laid before the Postmaster General and he would take the matter up with the comptroller's office. I did not express myself one way or the other as to what would be done in case those propositions should be made.

The CHAIRMAN. You were present?

Mr. WILLIAMS. I was.

The CHAIRMAN. And the Postmaster General sent for Mr. Darlington?

Mr. WILLIAMS. No; I do not know whether the Postmaster General sent for Mr. Darlington or whether Mr. Darlington asked permission to call on the Postmaster General. As I have stated, I do not know who originated the suggestion or how it was developed.

The CHAIRMAN. Mr. Darlington says on page 163:

My first interview with Mr. Williams was the 25th of March, 1916. Mr. L. E. Jeffries, a director of the Riggs National Bank, also one of the general counsel for the Southern Railway Co., informed me that a very prominent public official, whose name I will give if I have to, but which I would rather not give, had agreed to act as a mediator between the bank and the comptroller.

Mr. WILLIAMS. As to how he agreed to act, who asked him to act, I do not know.

The CHAIRMAN. You were present at this conference?

Mr. WILLIAMS. I was.

The CHAIRMAN. Do you agree to it as stated by Mr. Darlington, or the substance of it?

Mr. WILLIAMS. The substance of what took place was that it was suggested to Mr. Darlington and Mr. Jeffries that if a proposition along those lines should be submitted by them—if the request should be made by them—it would be acted upon, or consideration would be given to the subject. I should think that is the gist of what Mr. Darlington has testified to, and I think he has made it very clear that no commitments of any sort were made.

The CHAIRMAN. Did you talk with the Postmaster General about it?

Mr. WILLIAMS. Since then?

The CHAIRMAN. No; at that time?

Mr. WILLIAMS. Yes. I do not know how it developed. He told me in a personal way, that he understood that they were going to make some such proposition as that.

The CHAIRMAN. You had a conversation with Mr. Burleson about it before the interview?

Mr. WILLIAMS. As I say, yes; and that something along those lines would probably be submitted by them. I did not know what it would be, and no one could—

The CHAIRMAN. As submitted by them—whom do you mean?

Mr. WILLIAMS. Mr. Darlington and Mr. Jeffries.

The CHAIRMAN. This proposition was submitted by Mr. Burleson—

Mr. WILLIAMS. No; I do not understand that it was. I understand that Mr. Burleson told them that if they would submit a proposition along those lines, which I presumed had been discussed either by Mr. Darlington or by Mr. Jeffries with some one—I do not know who, possibly for a while with the Postmaster General—that it would be considered.

The CHAIRMAN (reading):

The CHAIRMAN. Mr. Williams was present?

Mr. DARLINGTON. Yes, sir.

The CHAIRMAN. And the Postmaster General said he made this proposition without authority from Mr. Williams?

Mr. DARLINGTON. Oh, yes.

Mr. WILLIAMS. Where is that, Mr. Chairman?

The CHAIRMAN. That is at the top of page 165.

Mr. WILLIAMS. Well, I do not think the proposition was made by the Postmaster General. I think it was a discussion between the Postmaster General and those——

The CHAIRMAN. Mr. Darlington explained a little further:

Yes, sir. It was not to be regarded as a proposition either from himself or Mr. Williams, but if the bank would signify its willingness to accept these terms——

Mr. WILLIAMS. Ah, there it is.

The CHAIRMAN (continuing reading):

Then they would consider whether they would grant them or not.

Mr. WILLIAMS. Exactly; it was not a proposition. That is the express language, that it was not a proposition, but if the Riggs Bank should ask to be permitted to go ahead on that basis it would be considered.

The CHAIRMAN. Mr. Burleson was doing the talking at that time, was he not?

Mr. WILLIAMS. Yes; he and Mr. Darlington.

The CHAIRMAN. He said if the bank would signify its willingness to do these things, that would be done?

Mr. WILLIAMS. That is very indefinite. That is not a proposition from the Postmaster General.

The CHAIRMAN. Well, leave it there.

Mr. WILLIAMS. I think Mr. Darlington said his reply was submitted in writing. I think it is hardly worth while to discuss his letter. If you want that, he can send it. I imagine he sent the letter.

The CHAIRMAN. No; I do not think it is important.

Mr. WILLIAMS. Mr. Chairman, he speaks here——

The CHAIRMAN. That proposition was—I do not think that either of us stated it; it might be well to put it in the record now—if the directors would resign he would see what they could do about the charter, in substance.

Mr. WILLIAMS. Let us see what it does state. On page 164 I see this—this is Mr. Darlington speaking:

If I would bring him on Monday a written statement that the bank would accept the charter on certain conditions he outlined, he and the comptroller would then take the matter up and see if the charter could not be granted.

He says further:

I may not state those conditions in the order in which they were given, but they were, first, we should file in the equity suit a withdrawal of all charges of collusion, or misconduct, or conspiracy on the part of the comptroller or of the Secretary of the Treasury, and should add to this withdrawal the fact that the charges were without foundation.

The CHAIRMAN. He is there quoting Mr. Burleson's proposition?

Mr. WILLIAMS. Yes.

The CHAIRMAN. That is sufficient.

Mr. WILLIAMS. I am not prepared to say that that is in detail what the proposition was, but it was along those lines. I am not prepared to say that it involved all of those conditions in the manner in which they are stated, but it was along those lines.

Now, Mr. Chairman and gentlemen, on page 166 Mr. Darlington states: "Mr. Cornell"—I think it is Cornwell or Cornwall—"if I remember the name correctly, a lawyer in West Virginia, had obtained the State charter for us. Some time after he came to Wash-

ington. He was a candidate for the governorship on the Democratic side. He went to see Mr. McAdoo, so he told me, and told him that everywhere he went in his campaign he was met by this Riggs trouble; that unless the administration wanted him defeated, something must be done about that matter."

Mr. Chairman, I never met Mr. Cornwell in my life, and therefore I will not be able to testify as to what he may have said, but I want to say this, that that does not impress me as being a very fair statement of the case, nor do I believe that either Mr. Cornwell or anyone else traveling about West Virginia was met on every side by complaints of the Riggs Bank. I believe that statement is wholly without justification by whomsoever made. Personally, I do not believe Mr. Cornwell said it, and I want to say this, that if Mr. Cornwell did say it, probably Mr. Cornwell may have had some special reason for desiring to have the Riggs controversy ended. I understand that Mr. Cornwell is a near relation or connection by marriage or otherwise of Mr. Ailes, of the Riggs Bank. Whether Mr. Cornwell was more concerned about Mr. Ailes and the Riggs Bank than he was about the Democratic Party or any other party may be determined by you. I do not care to express an opinion on that point; but I think it is well, while Mr. Cornwell is being met on all sides by the report that the Riggs Bank was affecting politics in West Virginia, to note that it was another interest of Mr. Ailes, of the Riggs Bank, which Mr. Cornwell might perhaps with propriety have desired to aid.

Mr. Chairman, I should like at such time as may be convenient to you to sum up and get rid of this case as far as I am concerned.

The CHAIRMAN. You do not expect to do that this afternoon?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. We will leave the discussion of that point for some later date. Have you finished?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. The committee will adjourn until Monday morning at 10 o'clock.

(Whereupon at 4 o'clock p. m. the committee adjourned until Monday, July 28, 1919, at 10 o'clock a. m.)



NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



BEFORE THE

COMMITTEE ON BANKING AND CURRENCY,
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 9

Printed for the use of the Committee on Banking and Currency



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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

MONDAY, JULY 28, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Page, Newberry, Keyes, Fletcher, and Henderson.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. Samuel Untermeyer, of New York; Mr. Wade H. Cooper, of Washington, D. C., and others.

The CHAIRMAN. The committee will be in order. We will now hear Mr. Untermeyer.

STATEMENT OF MR. SAMUEL UNTERMEYER, OF NEW YORK, N. Y.

Mr. UNTERMEYER. Mr. Chairman and Senators, I am a member of the New York bar and have been engaged in practice there for upwards of 40 years. I regret that Mr. Hogan has seen fit to reopen the endless Riggs Bank controversy.

His testimony concerning my connection with that controversy was given July 10 and 11. I reached Washington on the morning of the 12th on an engagement to appear that morning before the Senate Sub-Judiciary Committee on Prohibition on my way to the White Sulphur Springs. I found it impossible to secure a hearing that day before your committee and accordingly left Washington that evening for the springs and have been there ever since. I am now being heard at my own request.

The Riggs Bank transactions occurred more than four years ago, and a great many things have happened meantime, besides which human memory is at best fallible, but according to my recollection of the incidents referred to, Mr. Hogan's testimony contains many serious inaccuracies and misapprehensions and is replete with misleading assertions.

You have had so much testimony as to the status and merits of the various phases of the Riggs Bank controversy that I assume you will not care to have cumulative evidence from me on the many points of difference between Mr. Hogan and myself, and I shall accordingly confine myself, unless otherwise directed, to stating only a few of those differences and mainly those with which I am personally concerned.

Again and again in his testimony Mr. Hogan emphasizes the fact that in his talks with me I was acting as the attorney for Mr.

et. 9

Williams. Referring to the talk at the Shoreham, you will find on page 141 the following:

Senator HENDERSON. Was Mr. Williams connected with it in any way?

"It" referring to the transaction with me, to which Mr. Hogan had testified.

Mr. HOGAN. Mr. Untermeyer was his counsel. He was not a Government employee.

Again, on page 139, I am quoted as having said to Mr. Hogan that Mr. Williams was, as he [Hogan] knew, "implacable" in this matter; that something would have to be done to satisfy Mr. Williams with respect to what he [Williams] thought should be done with the officers of the bank; that he would let up on this bank and let up on its officers only when he attained his end of getting Ailes and the two Flathers out.

Mr. Hogan testified as follows:

Mr. Untermeyer said he thought Mr. Williams was right in that regard and they should be gotten out.

Again on page 142:

The CHAIRMAN. If he—

Referring to me—

said what you say he said, it indicated that he had discussed this matter with Mr. Williams?

Mr. HOGAN. I have no doubt about it. He did not say that, but there was not the slightest doubt in my mind that he had.

The CHAIRMAN. He made the offer to you with apparent authority to carry it out?

Mr. HOGAN. Certainly. As I say, he was the attorney for Mr. Williams.

These statements are incorrect in that (1) I was not the attorney for Mr. Williams except in the incidental way that I shall explain; (2) I was a Government employee; I was retained and paid by the Attorney General and never rendered a bill or received a fee from anyone else; (3) I did not say, in words or in substance, that Mr. Williams was "implacable" or that "something would have to be done to satisfy him."

I did say that it was my opinion that upon the record as it stood, these officers, one of whom resigned after being indicted, ought to resign, and that is and always has been my opinion.

The facts as to my employment are briefly as follows:

Some time in April, 1915, I was called in New York by telephone from Washington, either from the Attorney General's office or from Mr. McAdoo's office, I do not recall which, to come to Washington for a meeting at the Attorney General's office. I went directly from the train late in the evening to the office of the Attorney General and there met Mr. Gregory and Mr. Brandeis. I do not think that either Mr. McAdoo or Mr. Williams was present, but I think Mr. Warren, the Deputy Attorney General, was there. Mr. McAdoo and I have been friends for many years. I have a country place at Yonkers where Mr. McAdoo at one time lived. We worked together in the prenomination campaign of 1912. I was one of the few New York Wilson delegates to the national convention of that year at which he was also a delegate. During the campaign we saw a great deal of each other and again in the 1916 campaign and, in fact, almost

every time I came to Washington and when he occasionally came to New York.

The Attorney General said that Mr. McAdoo was anxious to have me act for him in the case which had been brought by the Riggs Bank charging him and Mr. Williams with conspiring to destroy the bank, and wanted to know whether I would accept a retainer on behalf of the Government. I told him I would be glad to do anything to assist my friend, but would prefer to act without compensation, and subsequently wrote him two or three letters to that effect, but the Attorney General was insistent that it was beneath the dignity of the Government to accept such service without compensation. When the matter was finally wound up I accordingly told him to fix whatever compensation he cared to, but that I would prefer that it be made nominal if he was not willing to allow me to defend my friend without pay.

I was told that Mr. Brandeis had been advising the comptroller, with whom I had had no social or professional relations, except that in the reorganization of the Seaboard Air Line Railway I had acted as counsel for the reorganization committee on behalf of the Blair-Warfield interests as opposed to Mr. Williams. I had not seen him for years, and it was only when an examination of the papers disclosed that there should be a joint representation of all the counsel interested for both the defendants, that I became counsel also for Mr. Williams, because of my position, primarily, as counsel for Mr. McAdoo, and acted for both as Government officials and upon the sole retainer of the Government.

So far as I can discover from the record, Mr. Hogan nowhere fixes the time of the meeting with me in the presence of Mr. Cromwell, the substance of which he has undertaken to recite and about which he was examined on page 136 and again on pages 138, 139, 140, and 142 of the printed record of the proceedings.

As heretofore stated, I have not been in New York since learning of his testimony, but have had my son see Mr. Cromwell with a view to ascertaining his recollection of the interview referred to by Mr. Hogan and of a subsequent interview I had with Mr. Cromwell alone. I judge from a report made by my son to me that my recollection and that of Mr. Cromwell are in a general way in substantial accord.

According to my recollection the interview referred to by Mr. Hogan took place at the Shoreham Hotel about the middle of June, 1915, and was an entirely accidental and informal meeting. I had come to Washington that morning on other business and had been lunching with a party of gentlemen at the Shoreham and met him and Mr. Hogan in the lobby of the hotel on the way out.

Mr. Cromwell and I have been friends for between 35 and 40 years, practicing law in the same city, and have come in contact with one another at various times beginning as early as 35 years or more ago. On seeing me on the occasion in question he told me that he was in Washington representing a committee of the directors of the Riggs Bank, which was investigating the transactions between the officers and the bank resulting from the facts that had been disclosed in the case that had been argued before Mr. Justice McCoy. I can not undertake to remember all that was said in this casual conversation of perhaps 5 or 10 minutes, but the substance of it, as I now recall, was that he and his clients had heard with considerable satis-

brokerage shop inside of a bank, and that is what I told the court on the argument, as you will see from the notes. This was not a bank at all. It had a vast amount of deposits, a large amount for Washington, by far the largest amount of any bank in Washington, but out of its total deposits there was less than 10 per cent of commercial business, and out of its loans there was less than 10 per cent of commercial business. There was about 90 per cent loaned on all kinds of stocks, speculative and otherwise, and this brokerage firm, consisting of officers of the bank, would buy stocks or sell stocks short, and the bank would do the bulk of the financing.

The CHAIRMAN. For what period How long did that continue?

Mr. UNTERMYER. Practically all through the history of the bank.

The CHAIRMAN. Up to what date?

Mr. UNTERMYER. Almost up to the time of the beginning of the suits, as I remember it. I think that stopped shortly before that. I think that when the controversy with Mr. Williams started, that sort of thing stopped. But I think it lasted practically up to that time. They drifted very naturally into it, though. You see, this had been a private partnership of Riggs & Co., and they had been what you call private bankers, which in most localities means stockbrokers first, and bankers afterwards. The members of the firm were members of the stock exchange, and their business had been largely a stock brokerage business, so that when they incorporated into the form of a national bank, they went on, and their business enlarged, and was of this same character. But it was a business with which a national bank had no right to be concerned.

Senator PAGE. No losses ever grew out of this class of transaction, I believe you tell me?

Mr. UNTERMYER. I do not know as to that. I think there were small losses. But that did not seem to me to affect the question at all, because if one national bank could be a brokerage shop and have the good management to make no losses, why could not other national banks run brokerage shops with less judgment and less ability, and wreck the bank?

Senator PAGE. I was simply thinking about the final results of the whole transaction.

Mr. UNTERMYER. Of course, I look back of the results. I am looking at the principle of the thing. It was essentially and fundamentally wrong in principle. But I felt that these men had drifted into it, at a time when the ethical, financial standards were very different from what they became in later years.

The CHAIRMAN. Other banks in Washington were doing the same thing in a smaller way?

Mr. UNTERMYER. I had never heard of it. I do not know of any bank in New York—much as has been said against high finance in New York, and much as may be just said against it—that ran a brokerage shop with the officers of the bank, financed with the funds of depositors of a national bank. I think Mr. Williams performed a high public service when he stopped that sort of thing. I think he also performed a high public service when, for the first time in the history of this country, he required national banks that had Government deposits to pay interest to the Government. When the banks were all paying their out-of-town correspondents interest upon their balances, they were not paying the Government a cent, during all

those years, until Mr. Williams compelled them to pay interest, and put them on a par at least with the private depositors.

I think Mr. Williams is one of the best comptrollers this country has ever had, fearless and courageous, and when he has seen his duty, he has done it. Every man has his temperamental weaknesses and infirmities, but when you come to the crux of the administration of that office, it is fine.

The CHAIRMAN. Do you think the powers of the comptroller are rather large?

Mr. UNTERMYER. Yes; they are very broad. But they have to be broad if you want to have sound finance, or somebody has to have power over these banks to see that they keep within the law.

The CHAIRMAN. It has been suggested that the office be abolished and that the functions be transferred to the Federal Reserve Board. I do not know whether you care to express an opinion on that subject or not.

Mr. UNTERMYER. I have often heard the suggestion, but it has seemed to me that there should be some officer especially charged with the supervision of national banks and of their affairs.

The CHAIRMAN. Would you suggest that his acts be subject to review in any way?

Mr. UNTERMYER. Yes. I think his actions should be subject to judicial review in certain respects. I think also he should have a rather wide discretion. But I do not believe in administrative officers being czars in their power. I think there are a great many acts that are now not subject to review that ought to be subject to review by a judicial power.

Senator FLETCHER. Do you not think an individual can better perform the functions of a comptroller than a board?

Mr. UNTERMYER. Yes. I think it would be a mistake to abolish the office of Comptroller of the Currency. I think that ought to be in charge of one man, who does not bear a mass of responsibilities for all the finances of the country and for its entire system, but of a man who bears responsibility for the proper conduct of the business of the national banks and the keeping of them prayerfully within the law, because it is only prayerfully that you will keep them within the law, and it is only by eternal vigilance that you will do so.

I said to Mr. Cromwell, as I stated, that the bank had been operating this stock-brokerage business with the assets of the depositors, and its cashier had been plainly guilty of dishonesty; that the whole thing was scandalous and a pernicious example, more pernicious because it had succeeded than if the bank had failed as a result of the speculation of its officers.

The CHAIRMAN. Who was cashier at that time?

Mr. UNTERMYER. Mr. H. H. Flather was cashier. Mr. Hogan states somewhere in his testimony that it was because of some statement I made in open court concerning the operations of the bank that he felt it necessary to present this affidavit. I think he overlooked the fact that we had previously presented an affidavit of a man named Bennet—which is in the record, and I assume that the record is before you. We picked out hurriedly a number of transactions of Mr. H. H. Flather in which he had pocketed the money of his customer. For instance, he was the cashier, and the orders

for stock purchases would come to his desk. There were transactions such as this:

A customer would, we will say, instruct the bank to sell a hundred shares of Union Pacific short. If, within an hour or two after that, Union Pacific went down Mr. Flather would settle on his own account for that transaction and take the profit, either in cash or in a check, and then he would buy the customer's stock at the larger price, so that the customer would not get all the profit.

The CHAIRMAN. There were two Messrs. Flather?

Mr. UNTERMYER. Mr. H. H. Flather.

The CHAIRMAN. Is that the Flather who afterwards resigned?

Mr. UNTERMYER. That is the Flather who resigned when the indictment was handed down, and it was eminently necessary that he should resign. That sort of thing has been going on a long time. I do not believe the other officers of the bank knew anything about those transactions. There was no evidence that they knew it. It only goes to show the perils of allowing a bank to run this kind of a business, no matter how much money it makes out of it. I have no doubt that the national banks of this country could make fortunes if they could all turn themselves into stock brokerage, real estate brokerage, grain brokerage, produce brokerage houses and finance everybody who they thought was responsible with proper margins in those businesses. I think they could make great fortunes if they had good judgment.

Senator HENDERSON. In the illustration you have just given, do you hold the bank responsible for the act of Mr. Flather, when none of the officials, as you say, knew about it?

Mr. UNTERMYER. In a sense, yes; because it had gone on for a long period of years; and because of this fact, that every time a transaction was made in stocks, through the Riggs Bank, a memorandum of the sale or purchase, a memorandum slip from the brokerage house, would come to the bank, and a statement of the purchase or sale, or whatever it might be, would come to the bank, and the transaction would be billed to the Riggs Bank. These transactions were conducted upon the credit of the Riggs Bank.

It seems to me the officers must have been very blind or derelict in duty if in the course of time they failed to learn of what was going on. As I have said, I do not think they did. But a man could become president of a bank, go off to Europe and spend a few years, and come back and say, "I am not responsible for the management of this bank, although I loaned it my name and my prestige, and people dealt with the bank on the faith of them. But I was away and I did not know it." I think they were bound to know it.

Senator FLETCHER. The evidence shows they had a private wire to the cashier's desk from a brokerage office. The bank officers must have known that.

Mr. UNTERMYER. I think they not only had a private wire to the Lewis Johnson & Co. desk, but if my memory serves me right, they also had a wire to another brokerage house, Colgate & Co., in New York, with which the Riggs Bank also did business. We were not able, in the short time that elapsed before the argument, to get into the Colgate account, because that was a going concern, and we had no access to their books. It was only because Lewis John-

son & Co. was in bankruptcy, and their books were open and here in Washington, that we were able to analyze their transactions.

But back of it all there is this fact, that these people really drifted into this thing—I mean they drifted into the business. They did not deliberately take up the business when they became a national bank. They simply succeeded to a banking and brokerage business, and incorporated as a national bank. But to my mind, if they wanted to do that sort of a business, they ought to have incorporated as a banking house, if they wanted to incorporate at all, or not take deposits.

There has been handed me here some of the checks that were made by Lewis Johnson & Co. to the order of the Riggs Bank, and some of the sample memoranda of purchases and sales that were delivered day by day through all of this time, all the dealings being with the Riggs Bank.

I told Mr. Cromwell, as I have told a great many other people, and as I feel, that I was naturally very sorry for Mr. Glover, as I would feel sorry for any man of his age and standing in the community who had gotten into this sort of trouble, but the officials were not entitled to be intrusted with other people's money, and that it did not seem right to have one rule for the man who won out and another for the man who lost out in the same sort of transaction. All this discussion was in connection with Mr. Cromwell's various resourceful suggestions of a way out of the difficulty by which the bank would have its charter renewed, for there is no man in this country who has been more resourceful or more distinctly helpful in negotiations and in the difficulties of finance than is Mr. Cromwell, besides which he has a constructive mind that amounts to genius in transactions of this kind.

I told Mr. Cromwell at that interview of my leaving that day for New York and starting the following day for California, which I did. So far as my memory serves me now, that was my last connection with Riggs Bank affairs until Mr. Darlington called on me in New York in company with a Member of the Senate.

My recollection of what transpired at that interview does not differ materially from his, as stated on page 166 of the testimony, except that he describes me parenthetically as being counsel for the comptroller, in which statement he is mistaken; and he uses this language:

"He (referring to me) said that the charter could be arranged on certain conditions, naming the conditions." This meeting with Mr. Darlington, as I recall it, was, as he states, some time in June, 1916, which was more than one year after my connection with the Riggs Bank case had totally ceased. It was after the acquittal in the criminal proceedings.

These gentlemen called, as they explained, to ask my help with respect to the renewal of the charter because of my previous connection with the case, although they fully understood that I represented nobody at that time. I told Mr. Darlington that I did not believe it would be possible for me to be of any aid toward securing a renewal of the charter if these officers were to remain, as my views on that subject were well known and I would be simply stultifying myself to attempt to argue the other way.

So far as concerned Mr. Glover, I said, in effect, that I thought, from what had been said the year before, that he might be retained, but they understood distinctly that I had not talked with the comptroller, or with Mr. McAdoo, or with anybody else about this matter; that I was only expressing my own view as to what I would be willing to do to serve them, on their request.

There was, of course, no question of my accepting a retainer or of compensation. They quite understood that my previous connection with the case rendered that out of the question. After hearing my views as to the terms on which I would be willing to go to Washington to ascertain what could be done, these gentlemen left and that was the last I heard of the transaction until I learned that an arrangement had been effected, with which I was in no way concerned, for the renewal of the charter upon the conditions set forth in the letter signed by the officers of the bank, which has, I understand, been put into the record.

I had never seen the letter. It had never been submitted to me. I had never known how it was brought about, or anything concerning it. I had simply washed my hands of the whole business.

In my judgment Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of his decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials, so far as concerned the charges made against them for conspiracy and wrongdoing.

The bank claimed that the right of the comptroller to require regular and special reports affecting, in the words of the statute, "the condition of the bank," was confined to its financial condition, whilst the Treasury officials insisted that this included every phase of the bank's management; and it had been so construed by a previous Treasury official.

The court upheld the latter contention, and decided also that the comptroller had the power to inflict the penalties that had been imposed but that he did not have the right to demand that the information called for by him should be verified under the oath of two of the officers and three of the directors of the bank, as had been demanded, but that he should only have required it to be verified by two of the officers and attested by three of the directors. It was solely upon that purely technical ground that the imposition of the \$5,000 penalty was decided to be irregular.

It was considered of the utmost importance by everybody connected with the Treasury that that question should be determined as to the scope of the power of the comptroller, as to whether he could make these demands and whether he could impose these penalties, the bank containing that he could not go beyond the question of its undoubted solvency, the Treasury contending that it had complete domination over the investigation of all phases of the management of the bank.

Senator PAGE. Was the undoubted solvency of the Riggs Bank ever brought in question?

Mr. UNTERMYER. Never, by anybody. It was not only solvent but for its size was one of the very prosperous institutions of the country. But if, as I say, you are going to have one rule for a prosperous bank and another rule for a struggling bank, the comptroller will become

the judge of what banks he shall bring within the law and what banks he shall not bring within the law, and he ought not to have any such power. It should be his duty to enforce the law against all banks.

Mr. Hogan was also, I think, inaccurate in his statement that the preliminary application was not decided by Judge McCoy for more than one year after it was submitted. In point of fact, in its essential features, it was decided at the close of the argument in an oral opinion which was later supplemented by the lengthy opinion that is in the record.

The conspiracy charge was exploited and answered at great length upon the argument and in the lengthy affidavits and exhibits that were submitted, and the judge then held that the action of the Treasury officials was not malicious or the result of a conspiracy as had been charged; that the malice, if any, was rather the other way; and that the officials would have been derelict in their duty if they had done otherwise than they did.

The CHAIRMAN. Mr. Untermeyer, that record will speak for itself.

Mr. UNTERMYER. I am not going any further into it. That is the way I read it.

Senator FLETCHER. In that decision of the court, Mr. Untermeyer, did not the court hold that the comptroller required the affidavit of the president *and* cashier, whereas the statute said president *or* cashier?

Mr. UNTERMYER. I do not think so. I think it held that it required affidavits, as I remember it, of two officers but that it did not require the affidavits of three directors. All these returns had been made, until this one was finally refused by the bank, under the affidavits of all these five people, as I recall it, and my recollection is that the court held that it required the affidavits of only two of the officers, and to be attested only by three of the directors. I think that is right. I may be wrong about that. It is a long time.

Mr. WILLIAMS. Here is the decision.

Mr. UNTERMYER. Yes; I think you are right, Senator Fletcher, now that I recall it. I think the statute required the president *or* the cashier. You see, it is four years and more since I have looked at any of these records, and I think I am wrong about that.

May I ask, Mr. Chairman, whether the affidavits which were used by the Treasury officials are made part of this record?

The CHAIRMAN. I think some of them.

Mr. UNTERMYER. I mean Mr. McAdoo's affidavit and Mr. Williams's affidavit?

The CHAIRMAN. I think Mr. Williams put in Mr. McAdoo's affidavit.

Mr. UNTERMYER. I have just been shown the Riggs Bank decision, upon page 144—

Senator HENDERSON. Page 144 of what?

Mr. UNTERMYER. I think it is your record. [After consultation with Mr. Williams:] No; pages 144 of the report of the comptroller of 1916.

The CHAIRMAN. That, as I understand it, does not pretend to be a verbatim report of the record but rather the comptroller's opinion.

Mr. UNTERMYER. I understood it was a digest by the Department of Justice. I think it was made by the Department of Justice. Ground 20 reads:

As to the merits of the case, the single point on which the court finds against the defendant is the following: That the comptroller in making his demand of January 22, 1915, for the special report called for, required that it should be made under the oath of the president, cashier, and three named officers and directors, whereas the statute, section 5211, only required that the report be sworn to by the president or cashier and attested by the signatures of at least three of the directors. The court said: "Therefore, it must be held in this case that the comptroller, having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with a demand which he made."

The recital by Mr. Hogan of the stormy interview in Mr. McAdoo's office, in which the latter is claimed to have threatened and assailed Messrs. Ailes and Glover, which is found on pages 35 and 36 of Mr. Hogan's testimony, is, if I may say so, disingenuous. It is not a recital of the facts as they were found by the court, but of the allegations of the bank's complaint, and Mr. Hogan, as it seems to me, possibly inadvertently, failed to make mention of the significant fact that both Messrs. McAdoo and Williams filed affidavits denying the statements which Mr. Hogan in his testimony assumes as proven facts in the controversy, giving their version of the interview and putting a very different appearance upon the entire transaction, which, if true, shows that the officers of the bank were the aggressors and that the Treasury officials were doing no more than their duty.

I assume that since it appears that the Riggs Bank controversy is being tried over again here, the record contains the affidavits of Messrs. McAdoo and Williams in opposition to the statement of Mr. Hogan on that subject.

The CHAIRMAN. They are both in the record.

Mr. UNTERMYER. I think I should call the attention of the committee to the following testimony on page 99:

SENATOR FREELINGHUYSEN. Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank? Mr. HOGAN. There is not.

Mr. Hogan is mistaken as to this. Attached to the affidavit of Mr. McAdoo in the equity proceedings are two exhibits, one showing the Government deposits with the National City Bank, month by month and year by year, beginning in 1894 and ending in 1912.

The CHAIRMAN. I will say, Mr. Untermyer, that that has been gone into very thoroughly and that the comptroller put into the record just what the deposits were for a long series of years.

Mr. UNTERMYER. Then that saves me, fortunately, the necessity of going into that.

In conclusion, permit me to say that I greatly regret the perpetuation of this controversy on the part of Mr. Hogan against Mr. Williams, and believe it to be most unjust. Mr. Hogan has doubtless suffered great agony of mind, more particularly because of the affidavit for which he was responsible and which may account for his bitterness. To my mind, Mr. Williams showed great breadth and magnanimity in deciding to extend the charter of the bank. I doubt whether I would have done so upon the facts, as I know them to exist, if I had been Comptroller of the Currency, or that any stranger to whom that record was submitted would have felt justified in extend-

ing the charter unless the men who were responsible for the offenses against the banking law were retired from the management.

After the bank had brought its suit and before it came into court, I exercised every resource in the effort to secure its settlement, without it being brought into court. I spent days in that. After it had been argued, my connection with it ended, but upon the urging of those representing the officers of the bank I interceded in a purely friendly spirit and without retainer or compensation in the renewed effort to end the controversy.

The CHAIRMAN. Mr. Untermeyer, you were counsel for Mr. Williams in the equity suit?

Mr. UNTERMYER. Only in the way I have explained. I did not regard myself as representing Mr. Williams, any more than the Attorney General represented Mr. Williams. I was a special assistant to the Department of Justice, paid by the Department of Justice, paid by nobody else, under duty to nobody else. These officials had been attacked in their official capacity. They were entitled to be defended by the Department of Justice.

The CHAIRMAN. As he was immediately the defendant in the equity suit, you probably had occasion to consult with him frequently about these matters?

Mr. UNTERMYER. Very little, except when the affidavit was being drawn in the equity suit. I drew Mr. McAdoo's affidavit myself. I did not, as I remember, draw Mr. Williams's affidavit. You see, Mr. Brandeis had been in this matter before I came into it. He had been advising Mr. Williams.

The CHAIRMAN. You did have some conversation with Mr. Williams about this case, probably?

Mr. UNTERMYER. Oh, yes; certainly.

The CHAIRMAN. Did you discuss with him the criminal proceedings?

Mr. UNTERMYER. No, sir.

The CHAIRMAN. That subject was never mentioned?

Mr. UNTERMYER. I do not recall ever having discussed the criminal proceedings with Mr. Williams. I discussed it with the Department of Justice.

The CHAIRMAN. Did you ever state to Mr. Williams your view with regard to that?

Mr. UNTERMYER. I do not think I did. I did not understand that Mr. Williams had anything to do with it. Mr. Gregory was simply wild about this thing. We came back from the hearing that day, after that affidavit had been read into the record in which it was stated that if there were any entries on Lewis Johnson & Co.'s books, transactions with the Riggs Bank, they were fictitious, and he was in a terrible rage about it.

The CHAIRMAN. You know what the comptroller's view was with regard to the criminal proceedings?

Mr. UNTERMYER. I do not think I do, so far as I recall, Mr. Chairman. I did not think I had anything to do with it or with him. My connection ceased when Judge McCoy—

The CHAIRMAN. Yes; but the subject was brought up. You and Mr. Cromwell and Mr. Hogan—I did not know but in view of these repeated conversations with counsel for the other side bearing spe-

cially upon this subject of the criminal proceeding you might have discussed it with Mr. Williams—

Mr. UNTERMYER. It may be, Mr. Chairman.

The CHAIRMAN (continuing). And expressed your view to him?

Mr. UNTERMYER. It may be, Mr. Chairman, but I do not recall having done so. There were a good many things in connection with this transaction that I did not recall when I first saw Mr. Hogan's testimony. The whole thing had faded from my memory, and I had to rake it up and refresh my mind and have my son talk with Mr. Cromwell, and in that way bring the picture back before my mind.

The CHAIRMAN. The civil suit was still in court until some time after the criminal prosecution was brought and the verdict of the jury acquitting the defendants was reached?

Mr. UNTERMYER. It was nominally in court, but it had been effectually determined. Although there had been no final decree, still you know, Senator, that in an action the basis of which is injunction, when you have tried it out upon the preliminary application and the affidavits and the injunction is denied, there is as a rule very little left to be tried, because the questions of law are pretty well covered by the determination on the application. I consider that the case was not in court except in a nominal way. They could not have succeeded after that decision, and in the light of that decision unless it was reversed on appeal.

The CHAIRMAN. In your conversation with Mr. Darlington in New York in regard to this matter the withdrawal of the suit was one of the important conditions, was it not?

Mr. UNTERMYER. Well, I think you are assuming that, Mr. Chairman. Perhaps Mr. Darlington said that. My recollection is this: When the question came up of the appeal to me to see whether I could aid in getting the charter renewed, of course the charter could not be renewed while the bank was defying the power of the comptroller to call for reports. That was the question. If the bank was insisting upon refusing reports while the court had held that the comptroller had the power, the comptroller could not renew the charter. That question had to be gotten out of the way in some way. It either had to be tried or the suit had to be dismissed.

The CHAIRMAN. Obviously.

Mr. UNTERMYER. Yes. That was a logical situation, was it not?

The CHAIRMAN. The comptroller was anxious to have the suit dismissed for some reason, was he not?

Mr. UNTERMYER. I do not think that is quite a just assumption, Mr. Chairman.

The CHAIRMAN. Did you not have conversations with the comptroller in regard to the importance of having this suit withdrawn?

Mr. UNTERMYER. No, sir. I never talked with him, as far as I recall, about that subject at all. Remember this appeal was made to me. I did not go to somebody else. I was not acting in any professional way. Nobody was paying me; nobody was suggesting it. I would not have taken pay. They were appealing to me to see what I could do, and everybody understood that it was a foregone conclusion that the case would either have to be tried or Judge McCoy would have to be reversed in his view of the law as to the powers of the comptroller before the charter could be renewed.

The CHAIRMAN. You do not know who suggested this meeting in New York to Mr. Darlington?

Mr. UNTERMYER. I do not know. I must have known at the time; but I do not know, I do not recall.

The CHAIRMAN. I think that is all.

Senator FLETCHER. In the conversation at the Shoreham, Mr. Untermyer, Mr. Hogan says that the substance of that statement was that the easy way out of the thing in order to save the bank and let it go along and fulfill its functions and prevent any indictments was to drop the indictment if these four gentlemen would sacrifice themselves. That is, Glover, Ailes, and the two Flatthers.

Mr. UNTERMYER. Yes; I think I have answered that, Senator Fletcher. My recollection is entirely at variance with Mr. Hogan's. I suppose you know that two people, however honest their intentions may be, rarely agree about either something that they have seen or a conversation after a lapse of years. Mr. Hogan says that his memory was rather hazy about it, although he has a marvelous memory.

Senator FLETCHER. Were you in a position to assure Mr. Hogan at that time that there would be no more talk of indictment and no indictment would be brought if that was done?

Mr. UNTERMYER. I had not any sort of power and did not assume to exercise any sort of power. I was not representing anybody.

Senator FLETCHER. In regard to the Uniontown National Bank, Mr. Jones testified—

Mr. UNTERMYER. In regard to what, Senator?

Senator FLETCHER. The Uniontown National Bank. Mr. Jones testified with reference to that. Do you know Mr. Jones who testified in that matter?

Mr. UNTERMYER. I have met him once, I think.

Senator FLETCHER. He said something about a conversation had in your office in New York. Whom did you represent in that connection?

Mr. UNTERMYER. I did represent and am still representing a committee of creditors of the Uniontown Bank, of whom there are about 2,000, having claims to the extent of about \$15,000,000. They constitute, I think, about 95 per cent of all the creditors, unsecured creditors, of the bank, and I went down to Uniontown to act for them, because the whole of Uniontown was in bankruptcy as a result of Mr. Thompson's pyramiding transactions, and the mortgagees were about selling these vast coal deposits that were said to be worth fifty or sixty millions of dollars, and the creditors were about being wiped out, and a committee of bankers and creditors came to New York and begged me to go down there and see what I could do to save the situation. I went down and had this committee of bankers organized, which I still represent, and we have succeeded in stopping the sales of most of the properties. We have made a private sale, which is about to go through and by which the creditors will all get the substantial part of their money; but that has been a struggle of five years.

I think Mr. Jones is mistaken as to what took place there. I think he referred to the sale of the bank building, did he not?

Senator FLETCHER. He was testifying about that, and indicated that there was some sort of a conspiracy to sacrifice that for the interests of somebody outside.

The CHAIRMAN. I would say, as one member of the committee, that I do not think it is necessary to go into that unless you want to.

Mr. UNTERMYER. The bank building, I thought, brought a pretty good sum. We were fearing that it would only bring \$500,000, but I think it brought \$700,000, did it not? I do think that Mr. Williams was a little unfortunate in the selection of his receiver, but the complaint as to the management of the estate comes from only a few scattering creditors. It does not come from the creditors' committee, who are the people who are mainly concerned, because they have made no complaint. When I heard of this I wrote to one of the trustees in bankruptcy. I have a letter from him on the subject. I do not think there is any just ground for complaint as to the amount that the bank building brought.

The CHAIRMAN. In what respect was he unfortunate in the choice of a receiver?

Mr. UNTERMYER. The receiver seems to have antagonized a good many people down in that section, and, I think, unnecessarily so. I have criticized the receiver. I do not think it is possible, unless a man is infallible, always to select the ideal receiver for a failed bank. He must get the material which he thinks best fitted to his purpose.

Is that all, Mr. Chairman?

The CHAIRMAN. Just one question more, referring back to the other matter: I assume that you did consider yourself as counsel for the respondent in the civil proceeding until it was ultimately withdrawn or dismissed?

Mr. UNTERMYER. No. I considered the civil proceeding ended when Judge McCoy decided it, because, for all practical purposes and intents, it was ended, and I was going away and I had discharged my mind of it. Mr. McAdoo had been charged with a conspiracy. If what the complaint said was true, or a fraction of it was true, these people were unfit to be public officials. He had been not only vindicated, which was the thing in which I was interested, but the suit had been shown to be a grossly groundless and malicious suit.

The CHAIRMAN. Assume that an appeal had been taken in some way and the case had been reviewed—

Mr. UNTERMYER. I suppose I would have been retained again, probably.

The CHAIRMAN. Again?

Mr. UNTERMYER. I assume so.

The CHAIRMAN. Do you think any other retainer necessary?

Mr. UNTERMYER. Yes. I had been brought down there for the purpose of arguing that application.

The CHAIRMAN. In the meantime were you counsel for the Treasury Department in any way?

Mr. UNTERMYER. No. I never represented the Treasury Department in any of its affairs except in one case in which I was the consulting counsel with Mr.—what is his name. Mr. Williams, your counsel, who had charge of most of those cases in New York?—Mr. Gibbony. I think I performed some services in connection with litigation in an advisory capacity and was paid \$1,500 for it.

The CHAIRMAN. Do you remember when you received compensation in that civil case, if you received any?

Mr. UNTERMYER. Oh, I did. The Attorney General insisted on my taking it. My recollection is that I received a thousand dollars very shortly after the argument, and I think \$4,000 a little later——

The CHAIRMAN. I am not asking you to give the amount, Mr. Untermeyer.

Mr. UNTERMYER. I have no objection to stating it.

The CHAIRMAN. When were you paid in full?

Mr. UNTERMYER. Sir?

The CHAIRMAN. When did you receive the last payment?

Mr. UNTERMYER. I do not remember.

The CHAIRMAN. Was it after Mr. Darlington——

Mr. UNTERMYER. Oh, I do not think so. I was simply paid for my appearance here before Judge McCoy and my services in the civil proceeding. That is all I had to do with it.

Is that all?

The CHAIRMAN. Unless some other member of the committee desires to ask a question, that is all, Mr. Untermeyer.

Mr. UNTERMYER. Thank you.

(The witness was thereupon excused.)

The CHAIRMAN. Mr. Williams, do you desire to go on this morning?

Mr. WILLIAMS. If the committee please.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Continued.

Mr. WILLIAMS. Mr. Chairman and gentlemen, at Saturday's hearing I described the conditions which existed at the time of the beginning of the controversy as set by Mr. Hogan. He has three or four times in his testimony mentioned June 9 as the date of the beginning of the controversy. I have called your attention to the fact that it was on that day that the comptroller received the report from the national-bank examiner expressing the attitude of defiance which had been adopted by three or four of the officers of the Riggs Bank; their contemptuous references to the comptroller; their declaration that "we will have the comptroller into court in a minute"; the further statement—I think it was made by the particular officer who was required to leave the bank at the time of the perjury trial, Mr. H. H. Flather—to his cashier to the effect that "the comptroller can go to——"

As I conducted my investigations I became more and more impressed with the fact that there must be some very strong motives with those officers, or with some of them, for refusing to give what seemed to me to be information which a bank should willingly and cheerfully and frankly give to the comptroller.

This particular officer, as I have stated, who used the strong language mentioned, was subsequently found to be guilty of swindling operations upon the customers and clients of the Riggs National Bank. In other words, the testimony and evidence, as the district attorney has shown you and as Mr. Untermeyer has told you, show that the cashier of the bank who had a private wire at his desk connecting the stock-brokerage office was systematically defrauding the bank's customers who gave orders for the purchase and sale of bonds and stocks, and that he was, to use Mr. Untermeyer's expression, pocketing those profits himself.

I do not know whether Mr. Untermeyer made it entirely clear to you as to how those operations were carried on, and I will take the liberty of illustrating once more.

John Smith would go to the bank and order 100 shares of steel, we will say, to be bought at 60. An order would be put in for the purchase of 100 shares of steel at 60. It would be entered in the bank's order book for bonds and stocks; although the bank claims not to have been doing a stock-brokerage business it had a large book with the name "Riggs National Bank" in big letters on the back in which it entered as many of the orders which it received as it cared to enter. I do not know how fully and completely those orders were entered in that book. Then they were given to the stock broker in Washington or New York for execution.

To refer back to this illustration, we will say that the order was received from John Smith for the 100 shares of steel at 60 or at market, we will say, stock then selling at about 60. The stock goes up to 61. The brokerage firm reports to the Riggs National Bank, "We have bought your 100 shares at 60 and it is now selling at 61. It has advanced 1 per cent since we have bought."

Mr. Flather omits to notify his customer that the stock has been bought at 60, and he telephones or telegraphs to the broker, "Sell that 100 shares of stock that you have just bought at 60, at 61, which is the present market price."

The bank sells the stock at 61 and there is a profit of \$100. Mr. Flather tells the brokers, "give me that profit of \$100 and I will go and buy another 100 shares of stock for Mr. John Smith."

The broker buys the stock at $61\frac{1}{2}$ and John Smith pays $61\frac{1}{2}$ for his 100 shares of steel which had really been bought on his order at 60. The difference between the 60, the price at which the stock was actually bought on the strength of the order given by the bank to the broker, and $61\frac{1}{2}$, the price to which the stock had advanced, is divided up in this way: One hundred dollars of it goes to Flather's pocket. The other one-half per cent is simply an extra cost which the customer has to stand because of the advanced market and of the refusal of the bank to give him the benefit of the purchase which had really been made on his order at 60 in the morning.

The district attorney, I think, has referred to those transactions of that character. Mr. Jesse Adkins has explained them in some detail, and Mr. Untermeyer has also advised you of the evidence which left no doubt whatsoever as to the fact that those swindling operations were going on by the bank in the name of its cashier, and, as far as we know, for the benefit of that cashier.

As to whether any of the other officers participated in those transactions, I think Mr. Untermeyer has stated that there was no evidence presented which implicated the other officials in those particular transactions.

Senator HENDERSON. Were those transactions going on in 1914 when you became comptroller?

Mr. WILLIAMS. I understand they had been going on for several years.

Senator HENDERSON. Upon an investigation did you find that such transactions were being carried on in 1914?

Mr. WILLIAMS. The affidavit which has been filed in the record here shows the date of a number of them which were developed and brought to light. They were very circumstantial.

The CHAIRMAN. I would say, Senator Henderson, that the district attorney and the assistant attorney both testified in regard to that matter and, I think, introduced the reports of the——

Mr. WILLIAMS. The affidavit.

The CHAIRMAN. The affidavit with regard to it.

Mr. WILLIAMS. They were established beyond doubt.

The CHAIRMAN. And I understand now that Mr. Williams is testifying from the knowledge——

Mr. WILLIAMS. From the examiner's report and the testimony which has already been made a part of the record.

The CHAIRMAN. From the testimony which has been put into the record.

Mr. WILLIAMS. I mention that as showing the demoralizing conditions which existed in the bank, and that was one of the many evidences of the irregularities and the unlawful practices which were unearthed and which were unearthed with great difficulty because of the refusal, and the reticence of the officers to give the information called for and, later on, they fell down upon the plea that to testify would incriminate them, and under advice of Mr. Hogan himself one or more of these witnesses were directed not to answer questions asked by the national bank examiner.

As I stated on Saturday, if there was any officer or responsible head of department of the bank who was not borrowing the bank's funds, I do not know who it was. I am referring, now, to the reports which were made by the national bank examiners for a period of years. I do not mean to say that every clerk was borrowing money for that whole time, but I do ask your especial attention, as an illustration, to the list which was presented to this committee on Saturday, where I think two vice presidents, four or five tellers, and bookkeepers, and thirty-three or thirty-four other officers and clerks were all borrowing the bank's funds on bonds and stocks or real estate for one cause or another; and the bank examiner—I think it was Mr. Reeves, to whom Mr. Hogan has referred—emphasized the fact that the Flathers were speculating and borrowing and speculating the bank's funds on speculative securities. He called especial attention to the fact that those responsible officers were using the bank's funds in their speculations.

That is the atmosphere, gentlemen, which existed when we endeavored to get the information which I thought would be furnished instantly and without the slightest hesitation by any responsible bank officer who realized his duties and responsibilities. It was because of their twisting and turning and side-stepping and ducking and dodging these very simple questions that we found it necessary to have counsel prepare interrogatories which we submitted to them, making the questions as categorical as we could, so as to prevent them from evading them; but even then we were unsuccessful, and we had to send letter after letter in order to get information which should have been furnished at the first request.

I have shown you that although this correspondence went on for approximately 8 or 10 months there were comparatively few subjects which occasioned the correspondence or which were dealt with, but these few subjects would each involve numerous letters before we could get an intelligent answer.

I have explained the request made by them in August, 1914, that we should print a million dollars of additional currency for the bank,

and of the tedious and annoying correspondence which ensued because of their evasions and what seemed to us to be unfair positions taken on that subject which did not seem to be at the start so important.

The main subject of the controversy was the stock market operations conducted by the bank for this large number of customers and clients who were speculating in the market. I explained to you, Mr. Chairman, at Saturday's meeting, when there were very few Senators present, and it has gone into the record, why I made these inquiries as to the bank balances. I will not take up the time of the committee in going into it any further, but I will simply make the very brief statement that Mr. Hogan's claim or allegation that my motive there was to induce the bank to carry what he described as compensating balances is wholly fallacious. The action of the department was not prompted by any such thought or desire. It was simply to ascertain how far the bank's six or seven millions of dollars of funds on bonds and stocks were being used for the purpose of enabling the officers to get the commissions. I explained that the officers had expressly informed the bank examiners in May that those commissions all came to the bank's officers, and not to the bank.

The CHAIRMAN. May of what year?

Mr. WILLIAMS. May, 1914. Mr. Hogan had stated that the examiners and the department all knew the precise conditions under which the brokerages were obtained and disposed of, but the statement made by the three officers to the bank examiner was in direct contradiction of the statements which the same officers had made to other examiners a year or more before. The Treasury was in a quandary to know what the real facts were as to the brokerage business and how these commissions were disposed of, and a large part of the correspondence at that time with the bank was in the effort to get the bottom facts in regard to those stock dealings which were being facilitated by the three private wires which were running into the bank's executive offices, and it was their refusal to inform the Treasury frankly and clearly on that subject that brought about the oral examinations of these same officers by the national-bank examiners in January, 1915.

At this afternoon's hearing I shall ask your permission to read into the testimony the statements made at that time by those officers in regard to that account; but Mr. Untermeyer has stated so very clearly the ethics of the situation and the inexcusable irregularities which had been discovered and the very grave dangers which threatened the bank because of these operations, that I hardly think it would be worth while for me to enlarge upon that to any great extent now except to say that those very conditions which I discovered in the Riggs Bank—the manipulation of the bank's funds for the benefit of its officers and for speculative ventures—have been the most fruitful source of failures among national banks in the past; and I want to repeat and reaffirm here, Mr. Chairman and gentlemen, the statement which I made at the February hearings, that I consider that the action which the Treasury Department took shortly before the outbreak of the war in stopping those operations and those irregular transactions by the bank's officers or by the bank has been one of the most beneficial things—has been probably the best thing that has ever happened for the stockholders and depositors of the Riggs National Bank.

I shall present to you figures presently which will show you that while for a period of 10 years, up to the time that the Treasury began these investigations, the Riggs National Bank had shown little or no growth in resources and in deposits, a very small increase, perhaps 15 or 20 per cent, something of that sort, maybe, and I desire to comment on that. In my judgment the omission of the bank to grow more rapidly than it did in those 10 years was due largely to the fact that the energies and attention and activities of the officers of the bank and of its personnel, from top to bottom, were more directed toward stock-market operations than toward the administration of the affairs of the bank as a commercial institution. In support of that suggestion I point out that when these stock-market operations were required to cease and when the officers of the bank were required to give their undivided attention to the real interests of the bank, its resources and deposits have grown rapidly, indicating an increased confidence in the stability of the institution on the part of the public as a result of the supervision and regulations of the Treasury Department, and that these resources, which in the previous 10 years had scarcely grown at all or grown to a very small percentage, have, since the Treasury's efforts to purify and cleanse the bank of these irregular and unlawful operations, practically doubled or grown approximately 100 per cent.

I think that is another illustration of the truth of Benjamin Franklin's maxim that "Honesty is the best policy."

I would like to lay before you, Mr. Chairman and gentlemen, this copy of the Lammond affidavit. I think the Lammond affidavit is in the hearings, but to this is attached the forms and orders, and the checks and notices which passed between the Riggs National Bank and the firm of Lewis Johnson & Co. The bank's officers had testified that the bank had not bought and sold stocks to Lewis Johnson & Co. We found thousands of cases of transactions of that kind.

The CHAIRMAN. Do you want that affidavit reprinted in connection with this statement?

Mr. WILLIAMS. No, sir; I do not; it is printed at the end of Mr. Hogan's testimony, I think, but it would be well to print these forms and notices and copies of checks which closed transactions. If you desire it, I should be very glad to furnish them for printing.

The CHAIRMAN. That is a question for you to decide, Mr. Williams. If you ask that they be put in, I suppose there will be no objection to having them printed.

Senator FLETCHER. That affidavit has certain exhibits attached. It says:

I attach hereto, marked "D," "E-2," "E," "E-1," and "E-2," copies of the sales slips, reports of sales to the bank, and checks for the proceeds of sales, respectively, on two other transactions of a similar character.

It might be well to mark them according to the marking in the affidavit in the record.

Mr. WILLIAMS. Very well; I will do that by permission of the committee.

Senator HENDERSON. Are you starting on a new subject now?

Mr. WILLIAMS. Yes, sir.

Senator HENDERSON. Will it take long? It is nearly 10 minutes of 12.

Mr. WILLIAMS. No, sir; it will not take long. I just want to submit my comments upon Mr. Darlington's testimony in a few respects.

Only because of your courteous admonition, Mr. Chairman, that I should take pains to deny every allegation that might seem to be or might be construed by any member of the committee as material, I call attention to these matters that I do not regard as material, but which, rather than to run the risk of being criticized for refusing to answer, I will comment upon.

On page 166 Mr. Darlington says:

We were informed that the comptroller held that he could not renew the charter without such an examination.

That is practically correct, that the bank had to be examined before the charter could be renewed. But he follows that the statement that "although the bank had been in the hands of the comptroller and his officials daily for more than a year, and we thought he knew all about the bank." Mr. Darlington is mistaken in that respect. The examiners had not been in the bank for a year. They had been there from time to time during the year, but not continuously, and it was necessary in accordance with the invariable custom of the comptroller's office to have a bank examined shortly before the comptroller acts upon the renewal of its charter.

Mr. Darlington, on page 167, says in reply to a question of Senator Henderson:

Senator HENDERSON. It is on page 309, I think, in the record. The agreement of June 21 is signed by all the officers and directors of the Riggs National Bank.

Mr. DARLINGTON. Yes. I tried very hard to have the condition withdrawn that the equity suit should be dismissed.

I hope that Mr. Untermeyer has covered that point sufficiently in his statement before your committee this morning.

It was obviously impracticable or highly undesirable to expect the comptroller to give favorable consideration for the application for the renewal of the charter for that bank when the bank still contended and was standing upon the position that it would not furnish reports as to its condition which the comptroller thought essential or necessary for a correct understanding of its affairs and general condition. If the Riggs Bank had said, "We disagree with the decision of Justice McCoy that your reports have all been properly called for and we think that Judge McCoy has made a mistake, and we will not send you these reports, and we will not let you know anything about our business except what we think you ought to know," I hardly think that any member of this committee would expect the comptroller to renew the charter for the bank under those conditions. I think Mr. Untermeyer has made the reason for that very clear.

Senator FLETCHER. No matter how solvent it might be?

Mr. WILLIAMS. No matter how solvent it might be. It might be solvent to-day and ruined to-morrow. We have had many cases of banks which at one time were strong and solvent, but which a few months later had gone by the board with the loss of thousands of depositors.

Senator HENDERSON. I look at it rather in the light that as to agreeing with you to comply with the law they would have to comply with it whether it was an agreement or not. In other words, whatever the law requires in regard to reports, they would have to make them.

Mr. WILLIAMS. But they were undertaking to construe the law for themselves. They said, "We will not accept the comptroller's conception of the law, but we will do what in our judgment the laws says we ought to do."

Senator HENDERSON. As I understand it, under this agreement they were expected to file with you any report that you called for?

Mr. WILLIAMS. Yes, sir; under this agreement that they all signed they agreed that they would accept as final Justice McCoy's sweeping and overwhelming decision of the comptroller's powers, saying that every requirement which had been made had been properly made and that the comptroller would have been justified in assessing a fine for every refusal on the part of the bank to furnish the information called for in each one of these reports.

Senator FLETCHER. In other words, it was an agreement not merely that they would make reports in accordance with the law but in accordance with law as laid down by this decision of the court?

Mr. WILLIAMS. Exactly.

I call your attention to this fact, also, that if the bank had been unwilling to abide by the law or to accept that decision as final, they had the alternative. They have informed your committee that they had already obtained a State charter with which to continue their business. They have informed you that they had gone so far as to have a sign painted and that the sign was ready to be put up on the front of the adjoining building of the "Riggs State Bank," so that there could have been no danger of ruining the bank because of its omission or refusal to accept as law Justice McCoy's decision. If they had been unwilling to accept that decision, why did they go ahead with the State bank?

The CHAIRMAN. Do you think they could have merged into a State bank without any injury or disadvantage?

Mr. WILLIAMS. I naturally think, Mr. Chairman and gentlemen, that the national banks have advantages—

The CHAIRMAN. Yes.

Mr. WILLIAMS (continuing). But, at the same time, I call your attention respectfully to the fact that there are exclusive State banks in this district. The principal stockholders of the Riggs National Bank are also still larger stockholders, some of them, in a State institution adjoining the Riggs National Bank—the American Security & Trust Co., which has been a successful State banking institution. One or more of the principal officers of the Riggs Bank to-day have larger financial interests in that State institution next door than in their own bank; and I think that condition existed at the time of the renewal of the charter and for several years previously.

The time that Mr. Darlington took up in discussing the question as to whether or not the charter should be renewed and the question as to whether stamps should be put on seems to me to be too trivial to be commented on. It seems to me he was pretty hard up if he had to take up the time of the committee on that, especially when he notified you in the same breath that the comptroller had stated that those little irregularities would not be allowed to interfere with the renewal of the charter, and he might consider that they had been corrected.

Mr. Darlington says on page 169 that there never had been an investment made in stocks by the bank since its creation. He goes on

and says that they inherited from the old concern some stocks, and that some of those stocks were of very slow liquidation; it took a long time to get rid of them.

I do not think that statement ought to be permitted to stand just as it is made there. As a matter of fact, the records indicate that there were stocks bought from time to time, and I call your especial attention to the transaction which I pointed out a few days ago, where, after 10 years or more of criticism, the comptroller had said, "You must sell these stocks; you must get rid of them." He says they were slow in disposing of them. It is absurd to suggest that they could not have disposed of them in 10 years. But at the end of 10 years, after receiving numerous criticisms and statements that they must dispose of them, they said, "We have sold all our stocks. The few that are left we expect to get rid of shortly." That was signed by the officers and directors.

When I call your attention to that incident I take occasion to say that the officers of the bank, or some of them, were deceiving the directors in getting them to sign that statement, because I believe there are men on that board who would not have signed a false or inaccurate or misleading statement like that. How had they sold them? They had not sold them at all. They transferred them to one of the dummies in the bank, a dummy clerk, and this dummy clerk had given his note as collateral. When the comptroller wrote to them and said, "You said you had sold your stocks, but you did nothing of the sort. They are carried by a dummy, and you must get rid of them in good faith," then they carried them back to the bank, carried the transaction which had been standing for months and months until discovered by the examiner, and then later on, instead of selling the stocks as they should have done in good faith, they disposed of them into the Flather account, which was another dummy account and which was really the bank's own property, as has been pointed out frequently in these hearings.

I wish to make that comment upon Mr. Darlington's statement which, I think, he made rather carelessly. I am not willing to think that Mr. Darlington would have attempted to mislead the committee in that respect, and I do not believe that he knew of this incident when he made that statement to you. The stocks could have been sold in a month or a week or a day, but the bank took 18 years to sell them and were carrying them under all sorts of cover in the meanwhile. Mr. Darlington has very frankly stated, on page 169, in connection with the delay in bringing the perjury suit, that the docket was badly congested, as it always is, and he pointed out to you that the district attorney had stated as reason for the delay in bringing the perjury case that the district attorney had said that there were men in jail who had not been tried and who could not get bail, and he thought they ought to be brought up first.

Shall we adjourn now, Mr. Chairman?

The CHAIRMAN. Mr. Williams, do you intend to occupy the whole afternoon?

Mr. WILLIAMS. Possibly, with your permission.

The CHAIRMAN. Suppose we take a recess until 2.30.

Senator HENDERSON. Before we adjourn, Mr. Chairman, I would like the record to show that there are a number of members of the committee absent and that their absence is unavoidable. Take, for instance, Senators Hitchcock and Pomerene. They are on the

Foreign Relations Committee, and they are having hearings daily and they can not attend these hearings. There are other members of this committee who have other very important hearings, and I would like the record to show the reasons for their absence.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTERNOON SESSION.

The committee met, pursuant to adjournment, at 2.30 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Continued.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I have alluded before to the confused and contradictory statements, which met me at every turn, when I tried to find out how the Riggs Bank was conducting its stock-brokerage business, and how the profits were going. I read you, a day or two ago, an affidavit from the national-bank examiners relative to the statements which had been made to them by the officers of the Riggs National Bank as to their personal earnings from those commissions and profits. I think that letter of the comptroller, if I remember correctly, was dated June 9, 1914, the date on which Mr. Hogan has repeatedly said this controversy began. I now wish to ask your attention to a communication with the president, vice president, and cashier of the Riggs Bank addressed, on June 18, 1914, to the board of directors of the Riggs National Bank, and I ask that that letter be included in the record.

(The letter is as follows:)

THE RIGGS NATIONAL BANK,
Washington, D. C., June 18, 1914.

TO THE BOARD OF DIRECTORS,
OF THE RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: There is an account on your books entitled W. J. and H. H. Flather, the cash balance now to the credit of which is \$503.98, and the following investment securities which have been purchased from time to time with money withdrawn from this account and another account, entitled Charles C. Glover and William J. Flather, are now in the bank vault, viz:

Promissory notes of:

D. W. and E. A. Manners.....	\$500, 5 per cent, due Dec. 10, 1915.
Charles S. Rice.....	1,250, 5 per cent, due Apr. 20, 1916.
James H. Hensley.....	500, 5 per cent, due May 14, 1915.
Walker and Johnson.....	5,000, 5 per cent, due Apr. 23, 1919.
Walker and Johnson.....	5,000, 5 per cent, due Oct. 23, 1919.
John Taylor Arms.....	2,500, 5 per cent, due May 19, 1915.
M. W. and Walter S. Abraham.....	1,000, 5 per cent, due Apr. 30, 1917.
James H. Hensley.....	1,000, 5 per cent, due May 14, 1916.
James L. Pugh.....	1,500, 5 per cent, due May 26, 1917.
D. E. Rogers.....	1,750, 5 per cent, due May 20, 1915.
Charles S. Rice.....	1,250, 5 per cent, due Apr. 20, 1916.
Solomon Minster.....	1,000, 5 per cent, due Oct. 25, 1914.
Hy. S. Graham et al.....	1,000, 5 per cent, due June 3, 1916.
J. Augustus Taylor et al.....	850, 5½ per cent, due Dec. 20, 1916.
Florida Yulee Neff.....	2,000, 5 per cent, due Jan. 6, 1916.
Louisa S. Randall.....	1,500, 5 per cent, due July 2, 1916.
Alexander G. Bentley.....	6,000, 5 per cent, due Nov. 2, 1914.
Sanner and Hill.....	2,500, 5 per cent, due Mar. 26, 1917.
Robert L. Preston.....	1,000, 5 per cent, due Nov. 29, 1914.
John Taylor Arms.....	1,000, 5 per cent, due May 19, 1915.

Stocks:

42 shares Real Estate Title Insurance Co.

1,757 shares Columbia Title Insurance Co.

25 shares American Graphophone Co. common.

During the partnership of Riggs & Co., it was customary for one or more of its members to assist its customers to make investments, receiving certain compensation by way of commissions therefor, which compensation was at first credited to the commission account on the books of the firm and later transferred to the credit of the profit and loss account of the partnership. After the incorporation of the Riggs National Bank such business was continued to be done by certain of the officers of the bank acting in their individual capacities, and sums received by way of compensation on account of such transactions were passed to the credit of the accounts on the books of this bank, entitled "Chas. C. Glover and Wm. J. Flather," and "W. J. Flather and H. H. Flather," which accounts commonly have been and are referred to as the "Glover and Flather" and the "Flather and Flather" accounts.

The existence of these accounts and the character of the transactions which the entries noted therein were intended to evidence, have been made known to every bank examiner who had examined and reported upon the bank's condition, and likewise has been made known to the successive Comptrollers of the Currency and some, if not all, of the Secretaries of the Treasury in office since 1906, with the exception of the present incumbent, having been personally informed of the practice of the bank officers in this regard and no objection has at any time been made to their continuing the same.

On April 17, 1914, the account—Chas. C. Glover and Wm. J. Flather—for purposes of convenience, was closed out and its credits of every sort were transferred to the credit of the account—W. J. and H. H. Flather.

Whether the officers of the bank, who in their individual capacities rendered the services which produced the revenues which passed to the credit of the above account were entitled to receive and retain such revenues for their personal benefit is not material, for no one of them has ever claimed or has ever intended to claim or has ever retained or ever expected to retain any part of such revenues for his personal benefit. From time to time various amounts have been withdrawn from each of said accounts and used for the benefit of the bank, and from time to time sums have been withdrawn from each of said accounts and directly passed to the credit of the profit-and-loss account of the bank.

These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency and in order that this statement may be made of record in the minutes of the bank.

Respectfully, yours,

CHAS. C. GLOVER,
WM. J. FLATHER,
HENRY H. FLATHER.

The real estate loans stated above were taken as additional collateral for loans previously made, the greater portion of which is secured by stocks and were, therefore, reported under Sections "B" and "E."

August 13, 1914.

HENRY H. FLATHER, *Cash.*

That was nine days, apparently, after the controversy began in which investigation the Treasury was earnestly trying to find out what the real truth was in regard to those stock and real estate operations, and it appears that the bank officers wanted to make some record with regard to it with their board of directors. The statements which they made on that date were directly contrary to the statements which they had made about a month before to the national-bank examiner, as certified to by the examiner and the assistant.

Senator GRONNA. Is it true that Flather and Flather and Mr. Glover had made it known to your office before that loans were made to these people and the profits were turned over to the bank? Is that a matter of record in your office?

Mr. WILLIAMS. The record is full of contradictions in that connection. I ask your attention to a report made by Owen T. Reeves, the national-bank examiner to whom Mr. Hogan has frequently referred. In his report of November 28, 1910, Mr. Reeves states:

A commission and brokerage business is carried on by President Glover and Vice President Flather, who are members of the local stock exchange, and commissions are credited to deposit account, "C. C. Glover and W. J. Flather." Commissions received through the placing and collection of real estate loans is credited to deposit account, "W. J. Flather and H. H. Flather." At intervals the balances in both the accounts are wiped out by investments in real estate notes which I understand are regarded as property of the bank and not shown by the books.

That is the statement to the comptroller's office in 1910 by Owen T. Reeves, who has here been referred to as a witness for Mr. Glover and Messrs. Flather in the perjury suit.

Senator GRONNA. But the direct statement is made there, Mr. Williams, by Glover and by the Flathers, that on examination of their bank the examiners had been permitted to, and had, examined these books, and at no time have attempts been made to keep it away from the examiners; that the books themselves show these transactions; and of course if a thorough examination of the books were made, necessarily the examiner must have been able to discover that the facts are as stated by Glover and Messrs. Flather.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I think those statements made by Examiner Reeves seem to be quite clear. Whether or not they are accurate, I think they seem to be clear. I do not think they are capable of a double meaning.

As I understand, you raised the point as to whether that was true, whether that reflected conditions.

Senator GRONNA. Mr. Reeves does not seem to deny it.

Mr. WILLIAMS. I call your attention for a moment to the fact that this statement to the board of directors on the 13th denied that the earnings of the bank at any time, from these commissions and brokerages, had gone to the officers of the bank. But I will show you that about a month after that Mr. Glover wrote his letter stating that he was mistaken in saying that the officers had at no time received those profits, but that the firm of Glover, Hyde, Johnston, and others had collected these brokerages from 1897 to May, 1902, to the extent of about \$46,000. At the time this deliberate statement was made by those three officers to the board of directors of the bank, that collection by the individuals for a period of four or five years appears to have been overlooked by the officers, and not reported in the statement.

The CHAIRMAN. Mr. Glover was not at home at the time, and he explained it; his son was sick and when he got back he reviewed the correspondence and refreshed his recollection, and wrote you in regard to it.

Mr. WILLIAMS. I am not speaking of his letter to me in which he made that declaration. I am referring to something which has perhaps not been brought to your attention before, and that is a letter by Mr. Glover and the vice president and cashier of the bank, written on June 18 to the board of directors to get on the records this fact. I do not think that has been brought into the record before, showing that it was a very deliberate statement, prepared for their board of directors.

I now ask your attention to my letter to the Riggs National Bank of April 5, 1915, in volume 2 of the correspondence with the bank, on page 187. I refer to the fact that after three denials by an officer or officers of the bank that they had received these commissions, they now admit that they had received some \$46,000 for a period of four or five years, and after quoting the exact record, I say:

Comment by this office at this time seems to be superfluous.

I then go on and say:

The firm of "Glover, Hyde, Johnston, and others," whose paid-up capital Mr. Glover says was \$30,000, appears to have conducted its business at the office of the Riggs National Bank, and to have gathered in and divided among its members more than \$46,000 of commissions or profits in these five and one-half years; but they seem to have evaded during the entire period they were conducting the business the payment of the license taxes required by the laws of the District.

It is significant that "Glover and Flather" and "Flather and Flather" were equally forgetful as to the payment of license taxes in connection with the large real estate commissions which they collected, although Mr. Glover and the Messrs. Flather both claim to have paid the income taxes, including these earnings in their personal returns.

It is, of course, impossible to determine what eventually would have become of the funds accumulated to the credit of "Glover and Flather" and "Flather and Flather," had it not been for the investigations which have been recently conducted.

I ask your special attention to that feature of the case. [Continuing reading:]

The following extracts from the testimony given under oath by the bank's officers will show the nature and status of the account known as "Glover and Flather" to which the sum of \$56,918.54 had been improperly credited, and a somewhat similar account carried on the books of the bank known as "Flather and Flather":

Mr. C. C. Glover, the president of the bank, was being examined under oath by the national bank examiner on January 6, 1915. There were present the counsel for the bank, Mr. Bailey and Mr. McKenney, President C. C. Glover, Vice President M. E. Alles, and Cashier H. H. Flather. Mr. McKenney was counsel for the bank and also a director.

The examiner read to Mr. Glover an extract from a report made by a national bank examiner to the comptroller's office on November 28, 1910, on the "Glover and Flather" account, as follows:

This extract which was then read was the extract which I read to you from Mr. Owen T. Reeves's report a few moments ago. It is as follows:

At intervals the balance in both accounts [meaning Glover and Flather and Flather and Flather] are wiped out by investment in real estate notes, which I understand was regarded as property of the bank not shown by the books.

The examiner asked:

Is that a correct statement?

The national bank examiner asks Mr. Glover if that statement in regard to the status of the Glover and Flather and Flather and Flather accounts was a correct statement. Mr. Hogan, in his testimony, has been insisting that the whole thing was correctly stated by the examiners to the department, especially by Mr. Owen T. Reeves; that he was the man who made the statements as clear as the midday sun. Here is Mr. Glover's answer:

Mr. GLOVER. No, sir; it is an absolutely incorrect statement, we never claimed that this money belonged to the bank until we chose to dispose of it.

That statement of Mr. Reeves, which Mr. Hogan has so commended as setting forth the exact truth, Mr. Glover says is an absolutely incorrect statement. I say, gentlemen, that these inconsistencies and contradictory statements meeting us at every turn were the cause of a great deal of the trouble we have had in this whole controversy, direct contradictions of the officers of the bank themselves from day to day.

Senator GRONNA. Of course, at that time, Mr. Williams, is was suggested at least that this bank should lose its charter.

Mr. WILLIAMS. This was before the action began, Senator, before the suits began, before any of the suits began.

Senator GRONNA. This testimony was taken in 19——

Mr. WILLIAMS (interrupting). In January, 1915, before there were any suits. The suit was begun in April, 1915, and this was three months earlier.

Senator FLETCHER. Before they had applied for an extension of charter?

Mr. WILLIAMS. Yes; before they had applied for a charter at all. The charter did not expire until 18 months later.

Senator GRONNA. What I was going to call your attention to, Mr. Comptroller, was this: Naturally, if they applied to have their charter renewed they would be anxious to show that the bank had committed no violation of law. Technically, it would be a violation of law to say that this money belonged to the bank, because under the law and under the rulings of your office national banks are not permitted to loan money on real estate, or to transact a stock-brokerage business. These people would naturally want to show that their bank, or the officers of the bank, had not violated the law, because if they had, they could not expect to be granted a charter.

Mr. WILLIAMS. I am sure you do not mean to suggest that they should attempt to show that they had not violated the law if they had been violating the law.

Senator GRONNA. No; but technically he is correct when he states that this profit did not belong to the bank until the dividends were declared, which were all the time paid over on the bank. That is technically correct, is it not?

Mr. WILLIAMS. It is a denial of the correctness of the statement of the bank examiner which has heretofore been pronounced to be exactly correct by Mr. Hogan in his testimony, apparently, as I understand it. Now, Mr. Glover says it is absolutely incorrect. I will go on:

The EXAMINER. There was never any understanding with the board of directors?

I have read you Mr. Glover's statement, signed by Mr. Glover and the two Flatheys, as to how thoroughly the board of directors understood the whole business. Mr. Glover says, "Never." He continues a statement which is not material, and I will not read that here. The examiner then goes on:

Then you claim that you never have derived any benefit, never intended, and never will derive anything from the proceeds of these accounts?

Senator GRONNA. Who asks that question?

Mr. WILLIAMS. The examiner. Mr. Glover says:

That is what——

Mr. McKENNEY. One minute. "Never will" is a long way off.

Mr. GLOVER. I have a perfect right to, but I have stated I never have. You are correct in your statement that I made such a statement as that.

Mr. BAILEY. Just to say that you will, of course, is a mere matter of declaring your intention.

EXAMINER. He has a right to state his intention under oath.

Mr. BAILEY. And would have a perfect right to change that without violating the oath. The fact that he has not up to this, and the fact that he does not now intend to, are questions of fact, of course. As to whether he will or not—

Mr. GLOVER. It is a fact that the money in that account belongs to the three of us.

Mr. McKENNEY. And it is subject to your order and disposition.

Mr. GLOVER. Yes; it is subject to my order and my disposition, and those of my coowners.

EXAMINER. As a matter of fact, was it not always understood between you and the directors of the bank that all the profits arising from these transactions placed in these accounts were, in reality, funds of the bank, and that they would ultimately be transferred to profit and loss or some similar account in the bank?

The examiner asked that assuming that there was ground for the statements which had been made by Mr. Glover and the other officers of the bank, that a national bank examiner was in, made examination after examination and reported to this office, and when it was put to him in precisely that language, what does Mr. Glover say? "Absolutely no." Where are we? Gentlemen, where do we stand? What should we think with that directly conflicting testimony before us? We just did not know who was telling the truth and who was not.

Senator GRONNA. Does it show anywhere that these people were conspiring to rob the bank of any profits?

Mr. WILLIAMS. We were trying to find out whether they were or not, gentlemen, and here is the conflicting testimony that is offered.

The CHAIRMAN. In Mr. Glover's testimony somewhere—I do not know whether it is in this connection—it is made very clear that for a period some of them felt that these profits belonged to themselves, but that they had decided that under the circumstances, in the nature of the business of the bank, it would be proper in the future to turn the profits over to the bank. While they might technically claim them, they decided to turn them over. I remember that testimony of Mr. Glover.

Mr. WILLIAMS. Oh, yes; you can remember throughout this record testimony directly contradictory to testimony given before by the same men.

I have just read Mr. Glover's answer, "Absolutely no," denying the correctness of the statement which had been made by the officers of the bank to the examiners, and reported by the examiners to the comptroller's office. Then Mr. McKenney says:

Mr. McKENNEY. I have not the slightest hesitation—

Mr. GLOVER. Many of the directors had no knowledge whatever of the character of this account at all.

That is Mr. Glover's testimony on January 15, and on June 18, 1914, he had said to the board of directors, over his signature and those of Mr. William J. and H. H. Flather:

These facts are each and all doubtless perfectly well known to you.

What should we conclude from such testimony as this? I go on:

Mr. GLOVER. Many of the directors had no knowledge whatever of the character of this account at all.

Mr. McKENNEY. I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books. I have been a director since January 1, 1910, and never heard of the accounts until this correspondence began, and I do not believe that, outside of the officers, you will find any other directors on this board who know anything about it, with the possible exception—

It is so absurdly contradictory as to be almost amusing. It is more tragic than amusing, gentlemen. [Continuing reading:]

EXAMINER. You make that statement as a director of the Riggs National Bank?

Mr. McKENNEY. I say that as a director of the Riggs National Bank, and having been a director since January 1, 1910, I never heard of the account of either Glover and Flather or Flather and Flather up to the time of this correspondence beginning. I did not know that any such account existed.

Senator NEWBERRY. What is the date you think he refers to when he says the date of this correspondence beginning. The correspondence began with the letter you read signed by the officers?

Mr. WILLIAMS. Mr. Hogan has referred to the beginning of the controversy as June 9, 1914. Here is the formal letter on June 18, 1914, written by Mr. Glover and the two Flathers, endeavoring to make the Glover and Flather and the Flather and Flather accounts a matter of record, and takes pains to say:

These facts are each and all doubtless perfectly well known to you.

Senator FLETCHER. That is a letter to whom?

Mr. WILLIAMS. That is a letter signed by the president, the vice president, and cashier of the bank to the board of directors.

Senator NEWBERRY. What I am trying to get at is, Do you think Mr. McKenney, in his testimony, meant to fix the date of the beginning of the correspondence as in June, earlier than the letter you read of the officers of the bank?

Mr. WILLIAMS. You see, there were only nine days' difference between the beginning of the correspondence and the letter which the officers wrote to the board of directors in regard to these accounts. One was written June 9 and the other June 18.

Senator NEWBERRY. Is it not fair to assume that Mr. McKenney referred to a date in June?

Mr. WILLIAMS. Presumably he referred to the time that the officers formally notified the bank that there were these accounts, and up to that time he had never heard of them. I think that is a fair assumption. [Continuing reading:]

EXAMINER. Then, your claim is that the commissions credited to Glover and Flather were the personal profits of the individuals, including yourself, in an undetermined proportion, and that the bank had and has no claim?

Mr. McKENNEY. No legal claim.

Mr. GLOVER. No legal claim on it.

EXAMINER. And those profits or commissions arose out of personal transactions of the officers of the bank, officers of the bank acting in their individual capacity?

Mr. GLOVER. Yes; that is exactly how they did arise.

EXAMINER. Then, as soon as any amounts had been credited to either of these accounts, it became subject to the check and to the disposal of these individuals?

Mr. GLOVER. That is true.

EXAMINER. And in no manner subject to the disposal or check of the officers of the Riggs National Bank acting in their official capacity?

Mr. GLOVER. That is also a true statement of the case.

Despite those contradictions, they were claiming up to the last that those profits were their individual profits, and that they had a complete right to all the profits credited to those accounts.

I will now show you where the bank's credit or funds were used for the purchase of a half million or a million or a million and a half dollars of Government bonds on a joint account with the National City Bank, where the bank stood to lose if the transaction had gone the wrong way, according to the evidence, and as shown by the letters and correspondence in the case, which I will ask to be included in the record. And I will show you that the profits derived from those operations in Government bonds were credited to that personal account of Glover and Flather or Flather and Flather, in which they claim the bank had no interest at all, and I think that the bank made one or two sworn reports to the Comptroller of the Currency, over the signatures of its officers, in which they hid, concealed, or omitted to give those profits, which really belonged to the bank, but which they kept concealed in the Glover and Flather account, in regard to the existence of which Mr. McKenney, counsel for the bank and a director, says not a director of the bank knew anything about except the officers. to the best of his knowledge and belief.

EXAMINER. Mr. Glover, in the account of Glover and Flather, under date of February 4, 1908, there is an item listed "Commissions and profits, sale of the U. S. 4 per cent bonds, \$24,704.16"; and under date of February 24, 1908, "Profits on sale, U. S. 4 per cent bonds of 1925, \$32,214.38."

Mr. GLOVER. Yes.

EXAMINER. What knowledge have you of the transaction from which those profits arose?

Gentlemen, that was in early 1915 Mr. Glover was being examined about that transaction. The bank did not have those large transactions in Government bonds frequently. It was one of the few transactions of that size in Government bonds that they ever had, if not the largest they ever had, and it is reasonable to suppose that a very large profit having accrued from that transaction, it would not have entirely escaped Mr. Glover's memory, which is usually quite alert. Here is his testimony, in answer to the examiner's questions, Mr. Glover testifying under oath:

EXAMINER. What knowledge have you of the transactions from which those profits arose?

Mr. GLOVER. At the present moment I have not any recollection of just how they arose. [To Mr. Ailes:] That was a California matter, was it not?

Mr. AILES. I have heretofore explained that fully.

Mr. GLOVER. That was fully explained by Mr. Ailes, who actually had to do with that.

EXAMINER. You know, then, from what those profits arose?

Mr. GLOVER. Yes; but I would have to go back over the—there is another officer in the bank who can give you the entire details of that. It was in his hands. It only came to me as a finished transaction.

EXAMINER. From what transaction did that profit arise?

Mr. GLOVER. It arose out of the sale of certain bonds. What is that date?

EXAMINER. February 4 and 24, 1908.

Mr. GLOVER. I can not recollect. I would have to go back over that. [After conference with Mr. H. H. Flather.] That can be explained to you by another officer of the bank.

EXAMINER. By what officer?

Mr. GLOVER. Mr. Ailes.

EXAMINER. Mr. Ailes handled the transaction personally?

Mr. GLOVER. Yes.

Mr. AILES. I handled it; yes..

EXAMINER. You had no connection with it yourself?

Mr. GLOVER. I knew at the time just what was going on.

Bank Examiner addressing Vice President W. J. Flather.

EXAMINER. What was your interest, Mr. Flather, in the firm of Flather & Flather, in April, 1914?

Mr. FLATHER. No special interest; just a member of that firm.

EXAMINER. Was your proportion defined or not?

Mr. FLATHER. No; it was not defined.

EXAMINER. There were three members of this firm?

Mr. FLATHER. Yes. It was really Mr. Glover and I who made the money, although sometimes when Mr. Glover and I would be away in the summer, my brother would make some.

Then I omit some of the following testimony, and state in this letter:

The national-bank examiner was, later during the same day, examining Mr. W. J. Flather, vice president of the bank, in regard to a statement which W. J. Flather had previously made to a national-bank examiner to the effect that the profits derived from the account of Flather & Flather were "personal profits" and were returned as income by the individual members of the firm and the income tax paid upon them by these individuals.

Bank Examiner, addressing Vice President W. J. Flather.

EXAMINER. Did you return any portion of Glover & Flather?

"Mr. FLATHER. Mr. Glover paid all the tax on the income from Glover & Flather.

"EXAMINER. Was it an understanding between you and your brother and Mr. Glover that he should pay all on Glover & Flather, and you and your brother should pay 50 per cent each on Flather & Flather?

"Mr. FLATHER. Mr. Glover said he would pay all on Glover & Flather, and my brother and I arranged to pay the income on Flather & Flather account."

Now, gentlemen, see how these contradictions become more and more confusing. Here they are testifying under oath before the examiner that these were their personal profits and that Mr. Glover paid the income tax on his portion, and that the two Flathers paid the income tax on the rest.

Mr. Flather subsequently denied the statement which he had previously made to the national bank examiner and claimed that while he had paid an income tax on the account of the firm of Flather & Flather he had charged the amount of the income tax later on to the bank, thereby recouping himself for the tax paid.

The man who denied the statements which he had made to the examiner—and as to the facts of his having made that statement, both the examiner and the assistant examiner have made affidavits—that same man, H. H. Flather, was the man who was required to get out of the bank in October, 1915, I think it was, and whose systematic defrauding of the bank's customers has been shown to your committee. The examiner continued his examination of Mr. W. J. Flather:

EXAMINER. Then the commissions credited to Glover & Flather and Flather & Flather immediately became the property of you individuals in an indefinite or an undetermined proportion?

Mr. FLATHER. Yes.

EXAMINER. And the bank had no claim whatever?

Mr. FLATHER. None whatever.

EXAMINER. The funds were subject to your check as individuals, and not as officers of the bank?

Mr. FLATHER. That is right.

EXAMINER. And that is also true of the present balance standing to the account of Flather & Flather?

Mr. FLATHER. Yes, sir.

EXAMINER. What would become of your proportion of Flather & Flather, and its securities, if you should die, Mr. Flather?

Mr. FLATHER. That would have to be determined by law, Mr. Smith.

Mr. BAILEY. Unless your executor himself were to dispose of it as he knew you wanted it disposed of?

Mr. FLATHER. Yes; if I should put that in my will; of course that is another matter.

EXAMINER. Mr. Flather, in the account of Glover & Flather, under the date of February 4, 1908, there is a credit of \$24,704.16, and under date of February 24, 1908, \$32,214.38. Those are itemized as "Profits from the sale of U. S. 4 per cent bonds." What, if anything, do you know about that transaction?

Mr. FLATHER. That is a matter that Mr. Ailes had entire control of, as far as I know. I had nothing whatever to do with it.

EXAMINER. In your affidavit, or sworn answer to interrogatories, under date of July 14, 1914, Mr. Flather, you state, in substance, that the commission account is an account to which, in the first instance, profits arising from the purchase and sale of Government and other bonds are credited. That being the case, why did not these credits referred to here in February, 1908, go to commission account?

Mr. FLATHER. I say, Mr. Smith, to repeat what I said before, that I had nothing whatever to do with it.

My letter of February 3 continues:

Mr. C. C. Glover, president, and Mr. W. J. Flather, vice president, partners in the firm of Glover & Flather, both having denied knowledge as to the transaction by which \$56,918.54 had been credited to their account (Glover & Flather) on the books of the Riggs National Bank in February, 1908, as shown by the testimony—

"Bank examiner, addressing Mr. Glover:

"EXAMINER. What knowledge have you of the transaction by which these profits (\$24,704.16 and \$32,214.38) arose?

"Mr. GLOVER. At the present moment I have not any recollection of just how they arose. That was a California matter, was it not?" And the examiner having asked Mr. W. J. Flather what, if anything, he knew about the transaction resulting in credits of \$56,918.54 to Glover and Flather in which he was a partner, he replied, "That is a matter that Mr. Ailes had entire control of. As far as I know I had nothing whatever to do with it."

We will now turn to the testimony given by Mr. M. E. Ailes (vice president) in his attempt to explain the transaction, when examined under oath by the national-bank examiner, January 6, 1915.

"Testimony of Milton E. Ailes, Esq.:

"EXAMINER. Mr. Ailes, you do solemnly swear that the answers which you make to the questions propounded to you in the examination of the affairs of the Riggs National Bank shall be the truth, the whole truth, and nothing but the truth, so help you God.

"Mr. AILES. I do.

"EXAMINER. You are vice president of the Riggs National Bank?

"Mr. AILES. I am.

"EXAMINER. During February, 1908, you were vice president of the Riggs National Bank?

"Mr. AILES. I was.

"EXAMINER. In the account 'Glover & Flather,' under date of February 4, 1908, is a credit 'Commission and profits, sale of U. S. 4 per cent bonds, \$24,704.16.' In the same account, under date of February 24, 1908, 'Profits on sale of U. S. 4 per cent bonds of 1925, \$32,214.38.' Mr. Glover has stated that you handled that transaction personally. That is so?

"Mr. AILES. I handled the transaction in the bank, but I consulted with Mr. Glover and the other officers of the bank, with the Messrs. Flathers. I do not know just as to which one at the present time—Mr. Henry Flathers; I did with him.

"EXAMINER. From what transaction did those profits arrive? Was it the same transaction?

"Mr. AILES. There were two transactions, but they both fall in the same category.

"EXAMINER. Think what these transactions were, Mr. Ailes, please.

"Mr. AILES. They were during the panic of 1907. Crocker National Bank of San Francisco wired me that they were greatly in need of gold; in fact, they were on the point of a panic out there, and asked me if I could suggest any way by which they could make available some Government bonds. They stated that they had fours of 1925. I am giving you his from recollection. I think I suggested to them that we could put them in the circulation account of the National City Bank of New York, and take out circulation against them.

and ship them the circulation. But that was not satisfactory to them because they do not use paper money very much on the coast. I discussed the matter with Mr. Glover and Mr. Flather, and with Mr. Vanderlip, of the National City Bank of New York. They asked us to make an offer for the bonds.

"EXAMINER. Pardon me; they asked—

"Mr. AILES. They asked me here to make an offering for those bonds and give them gold for them. They wanted gold.

"EXAMINER. You mean the National City asked you to make an offer to Crocker?

"Mr. AILES. No; the Crocker communicated directly with me.

"EXAMINER. And asked you to make an offer?

"Mr. AILES. I had quite an acquaintance with the officials of the Crocker Bank, and they wired to me, as I recollect it.

"EXAMINER. I am trying to get the definition of the pronoun 'they.'

"Mr. AILES. The Crocker National Bank folks did. The upshot of the whole thing was that after conference here with Mr. Glover and Mr. Flather and Mr. Vanderlip, I made an offering of 115 for half a million long fours, and had an understanding with the National City Bank that these fours should go to the circulation account of the National City Bank, which had a large amount of national bank notes or currency ready for issue. The National City Bank had to pay into the subtreasury at New York \$500,000 in gold. Simultaneously, the assistant treasurer at San Francisco, would pay out on Government transfer, to the Crocker National Bank \$500,000 in gold. The balance due on the purchase of the bonds, representing the 15 points of premium, the offering made for the bonds being 115, or \$75,000, was to be credited to the Crocker National Bank on the books of the National City Bank of New York. New York had suspended at that time, and this was to be only a book credit."

I suppose he meant that New York had suspended cash or currency payments.

"The National City Bank recouped itself for cash by taking out \$500,000 bank notes. It parted, however, with \$500,000 of lawful money, or gold, in the manner I have indicated.

"EXAMINER. This was in 1907?

"Mr. AILES. In 1907.

"Mr. GLOVER. 1907 or 1908?

"Mr. AILES. In 1907, right in the very heart of the panic, when the whole country was shaken from one end to the other.

"These two transactions probably saved the situation in San Francisco. No sooner had this one been accomplished, until the Crocker National Bank came back and said, 'Will you take another million?' Of course, that was a pretty large sum, and after consultation with Mr. Vanderlip, I concluded to offer 110 for the remaining million, under the same conditions. The city bank paid out a million of gold. The 10-point premium, or \$100,000 was to be credited on the books of the city bank, New York funds, the city bank to recoup itself by taking out circulation for the cash. They accepted that offer.

"Up to that point we really had here—these officers here had little or no understanding as to what share the Riggs National Bank or anybody connected with it had in the transaction. It was carried along at the City Bank for weeks, until the panic subsided, and by and by, some time in February, 1908, they sold the bonds over there. The Riggs Bank never invested a nickel in the transaction—never put up a dollar.

"Mr. BAILEY. Nor became liable?

"Mr. AILES. Nor became liable. When they sold the bonds, I went over to see if we were not entitled to some share in the profits, and I was offered, on behalf of these officers here, a commission of one-eighth of 1 per cent, I think, which is just about the kind of profit that you get in a Government bond transaction. Those profits—that commission—had been going, when earned by the officers here, Mr. Glover and Mr. Flather, to these accounts. I did not want to settle on that basis. I felt I had engineered the thing and I talked it over with Mr. Glover and the other officers down here and I eventually succeeded in convincing the National City Bank authorities that we had been pretty helpful in the transaction, with the result that they, feeling pretty good over it, offered to divide the account, and so we did, and had these two credits which you find, which were placed to the credit of Glover & Flather, just as the commission of one-eighth of 1 per cent would have been placed to the credit of that account."

"EXAMINER. I am asking the question again: Did you intend that that money should go to Mr. Glover and the Flathers personally, or to the Riggs National Bank?"

"Mr. AILES. It would not have made any difference to me, because—and Mr. Glover has frequently explained it to you—I have known that while Mr. Glover and Mr. Flather have always had the right to any money from the Glover and Flather account, I have also known that they were just a little bit too high class to take it.

"EXAMINER. The question was just raised here as to Mr. Glover saying he never would take any of that and never will hereafter take any of this money.

"Mr. AILES. And never has.

"EXAMINER. In other words, it is an open question.

"Mr. AILES. And never has.

"It is interesting just at this point to call attention to the letter above referred to from this office to President Glover, of July 22, 1914, showing how in past years the president of your bank, having denied that any commissions collected by its officers were ever used for their personal benefit or gain, admitted that for a period of five years commissions aggregating \$45,000 had been systematically collected and divided personally between himself and certain other officers.

"EXAMINER. On whose behalf did you go to New York and get this division, the Riggs National Bank or the individuals?"

"Mr. AILES. Of course, as Mr. McKenney says, the record shows that.

"EXAMINER. It does not show for whom you went.

"Mr. GLOVER. I do not think he went—

"Mr. AILES. I do not know. I do not think I went there at that time on that particular mission. I was engaged in visiting the National City Bank once a week on general things. This action came up on one of those visits. I do not think I made a particular visit over there to get this.

"EXAMINER. Was there anything said with the National City Bank about with whom they were dividing this profit?"

"Mr. AILES. I do not recall now.

"EXAMINER. Would, in your opinion, have they divided with Mr. Glover and Mr. Flather personally?"

"Mr. BAILEY. Of course, you would not ask him to state under oath what they would do?"

"EXAMINER. I am asking his opinion.

"Mr. MCKENNEY. He has no right to an opinion.

"EXAMINER. At the time you came back, did you know what was done with the profits?"

"Mr. AILES. I can not say that I did right at that time. I know it was credited to Glover and Flather.

"EXAMINER. Did you not consider that was the same as crediting it to profit and loss?"

"Mr. AILES. Of course, I knew it would go to profit and loss unless these gentlemen chose to take it themselves."

This answer of Mr. Ailes clearly indicates that, in his opinion, he considered that any funds credited to Glover and Flather belonged to those gentlemen, whether or not they should generously, of their own volition, hand any of them back for the bank's benefit.

"EXAMINER. As a director of the Riggs National Bank and an officer, wasn't it your understanding that these commissions went to undivided profits, and that items were charged off to these accounts the same as they could be charged off to profit and loss account of the bank without any other action, and that it was in the bank, the profit and loss account of the bank, under another name?"

"Mr. AILES. No; not strictly so. I know the accounts were under the personal control and direction of Mr. Glover and Mr. Flather.

"EXAMINER. And you had no control over them, either as an officer or as an individual?"

"Mr. AILES. No; but I should not have expected them to have used them for any other purpose than to transfer them to the accounts of the bank. There was not any—I know of no understanding to that effect.

"EXAMINER. As a matter of fact, in obtaining this division with the National City Bank, as an officer of the Riggs National Bank, knowing the details of the

transactions from the time they started with the Crocker National Bank, who was entitled to that division? Were Mr. Glover and Mr. Flather personally entitled to it? Mr. Glover has stated here in your presence that the minute any items went to this account they were absolutely out of control of the bank or any official of the bank, and subject only to their checks."

Gentlemen, at that time that was a pretty serious transaction. There was \$56,000 of profits indisputably the profit of the bank, belonging to the bank, the bank's credit used to provide it, the bank's instrumentalities, machinery, employed in realizing it, and yet it was taken away from the bank's profits, from its profit-and-loss commission, and placed to the account of individuals, where these officers have stated the bank had no control whatsoever over it.

Now, this was the account to which \$56,918.54 of money belonging to the Riggs National Bank had been passed under the complete control and supervision of Glover & Flather personally, the bank having no control of any sort over it.

Comment by this office upon the grave and serious nature of this transaction is unnecessary at this time.

What I am reading now is the letter to the Riggs National Bank, which embraces a portion of the testimony taken in 1915:

These mysterious accounts (Glover & Flather and Flather & Flather), in regard to which Mr. McKenney, director and counsel of the bank, declared on January 6, 1915, "I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books," have also, as a matter of fact, been used for years past, from time to time, "without the knowledge of directors," to cover up various irregular charges, or losses, and unlawful or ultra vires investments, and illicit political or other contributions and payments made by the officers of the bank, as facts developed by investigations of this office clearly prove. In other words, these accounts have been used, sometimes, as were the accounts commonly known as "yellow dog" accounts or "slush funds," which were uncovered some time ago in certain notorious investigations.

In continuing his testimony under oath, Mr. Ailes said:

Mr. AILES. I would like, without closing the subject so abruptly, to say that this bank, the Riggs National Bank, never invested a single penny in this transaction; that the matter was carried on by the National City Bank of New York, which put the bonds it got from the Crocker National Bank in its own circulation account; it paid in its own gold to the assistant treasurer at New York, and had it paid out at San Francisco to the Crocker National Bank, and which credited on its own books, the National City Bank's books, the difference representing the premium in New York funds. At that time payment could only be made through clearing-house certificates, I believe. This bank assumed no liability whatever. This bank never paid a nickel of my expenses to go to New York to see about getting some division of the profits in that transaction, no matter what the correspondence may show as to whether I signed as vice president or not. Of course, after these sums had been credited to Glover & Flather, the transfers were made from Glover & Flather to profit-and-loss account of the Riggs National Bank.

My letter continues:

It is with regret that this office is forced to the conclusion that the officers of the Riggs National Bank have not only endeavored to deceive the bank examiner and the comptroller's office, but they appear to have deceived their own counsel, Mr. Bailey, as to the "joint account" character of this transaction.

It has been shown above that the first letter in which any sales were reported clearly and distinctly set forth that the transaction was a "joint account" transaction, and that the Riggs National Bank was liable for one-half of any loss that might be involved, and was entitled to one-half of any profit which might accrue from it. This was confirmed, as above shown, by the Riggs National Bank itself at the time, as abundantly proved by the correspondence. The various officers of the Riggs National Bank conferred as to the transac-

tion, according to the sworn testimony at the time it took place, and were presumably posted, although some of them have apparently contradicted each other.

These same officers, Messrs. C. C. Glover, president; M. E. Ailes, vice president; W. J. Flather, vice president; and H. H. Flather, cashier, were present when Mr. Ailes was being examined under oath and were conferring with their counsel during the examination; and yet the real facts appear to have been so thoroughly concealed from their own counsel that Mr. Bailey, after Mr. Ailes had made the foregoing statement, said:

I ask your attention to this statement by Senator Bailey. The letters which are referred to in what I have read, the correspondence between the National City Bank and the Riggs National Bank, are printed in this letter of mine of April 5, corroborating the purely official character of the transaction, in which the Riggs National Bank was directly and distinctly liable.

Mr. Bailey said—

The CHAIRMAN. Under oath?

Mr. WILLIAMS. When the officers were under oath and being examined by the national-bank examiner in January, 1915, I think it was:

Mr. BAILEY. Let me see if I thoroughly understand the transaction. This bank was not buying any of the bonds, assuming, as I understand you to say, no liability and making absolutely no payment. Therefore it was, whatever it was, a commission or profit made entirely on a transaction of the National City Bank?

To which Mr. Ailes replies, "Yes."

Evidently his own counsel, Senator Bailey, had not been given the real facts by the bank.

The CHAIRMAN. That is your conclusion?

Mr. WILLIAMS. I am quoting Mr. Bailey's language.

The CHAIRMAN. Well, stick to it.

Mr. WILLIAMS. This continues:

Mr. BAILEY. It was earned, or if it was obtained, then it was not a bank transaction, because the bank had furnished no money, had assumed no liability, had incurred no expense. Is that what I understand you to say?

Mr. AILES. That is it exactly.

And that is directly contradicted by the record and the correspondence. Mr. Bailey then goes on:

Mr. BAILEY. And if it had been charged directly to the bank, or credited directly to the bank, it would have involved the same explanation that the old commission accounts did; that though it was credited to the bank, as a matter of fact it was earned by others and not by the bank. If it had been credited directly to the bank, then the bank would have brought itself, as I understand it, within the Ridgely letter of September 22, 1904, that advised them that selling stocks and bonds on commission was ultra vires and yet you had continued it without any liability or expense or obligation on the part of the bank, you believing that the Flather and Flather account or the Glover and Flather account was the place to pass the credit. I understand that.

Mr. McKENNEY. Please answer that. These gentlemen [indicating the stenographers] can not see a nod of your head.

EXAMINER. As I understand it, that is an explanation of Mr. Bailey, and he wants it written into the minutes. It does not call for an answer from Mr. Ailes.

Mr. AILES. I nodded my assent to Senator Bailey, and Mr. McKenney, no doubt correctly enough, said that the stenographers could not be supposed to transcribe that nod.

The letter continues:

It is hardly conceivable that if your officers had told the truth to your counsel, Mr. Bailey, that this transaction was a "joint account" with the

National City Bank, and if your officers had advised him of the correspondence with the National City Bank which so clearly proves the nature of the transaction, that Mr. Bailey would have made the following statement which he did make after the above testimony had been given by Mr. Alles.

Mr. BAILEY. As a matter of fact, I could not go into any court of conscience or law in the world and take that money that Alles turned over to the bank for Alles himself. He was absolutely entitled to it, I think, in morals—I know in law.

Now, based upon the facts that the officers of the bank stated to Senator Bailey, he drew that totally incorrect conclusion. If it had been taken and permanently kept by those men, with the facts which were subsequently developed, they would have been guilty of embezzlement and would have been reported to the Department of Justice for such offense.

Senator GRONNA. The records show that the name of the bank was used?

Mr. WILLIAMS. Completely. Right at this point I ask you for just a few moments to allow me to show that.

Here is a letter to the Riggs National Bank dated February 3, 1908:

FEBRUARY 3, 1908.

THE RIGGS NATIONAL BANK,
Washington, D. C.

DEAR SIR: We have to-day credited your account with account with \$24,704.16 one-half the profit in the joint account in United States registered 4s of 1925 (Crocker National operations), resulting from sales made during the month of January. The sales for January were \$695,500 par value, and no sales of these bonds were made prior to January 1.

The purchases and sales have all been figured on an "and interest" basis, on the assumption that the bonds carry themselves in circulation account with no loss, and for this reason no carrying charges are assessed against the joint account in which you are interested. The purchases for this account were as follows:

Apr. 16, 1907, \$150,000, at 130.083 and interest (or 129½ ex interest)-----	\$195, 049. 50
Nov. 7, 1907, \$500,000, at 109.024 (or 110 flat)-----	540, 620. 00
Nov. 12, 1907, \$1,000,000, at 109.869 and interest (or 110 flat)-----	1, 092, 690. 00
<hr/>	
\$1,650,000, at 111.718 and interest, average price-----	1, 843, 359. 50

The average "and interest" selling price for all the bonds sold during January was 118.822 and interest. These sales, therefore, show a profit of 7,104 points, or a total profit on \$695,500 of \$49,408.32, one-half of which amount is the credit indicated above.

As further sales are made from time to time we will make an accounting to you, either crediting or charging your account as the operations show a profit or loss.

Senator FLETCHER. That is a letter to whom?

Mr. WILLIAMS. That is a letter to the Riggs National Bank from the National City Bank of New York.

As further sales are made from time to time we will make an accounting to you, either crediting or charging your account as the operations show a profit or loss.

They were interested to the extent of one-half of the profits or one-half of the losses. That was dated February 3, 1908.

Inclosed herewith is a list of the sales made for the period ending January 30.

On February 4, 1908, the Riggs National Bank acknowledged receipt to the National City Bank of the letter reporting the credit of \$24,704.16 as follows:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C. February 4, 1908.

Mr. J. H. McELDOWNEY,
Assistant Cashier National City Bank, New York, N. Y.

DEAR SIR: We beg to acknowledge receipt of your letter of the 3d instant, in which you advise having credited our account \$24,704.16, representing one-half of the profits on sales during the months of January of U. S. registered 4's of 1925, which were purchased by us for joint account through the Crocker National Bank of San Francisco. We note that as further sales are made from this joint account you will credit our account with one-half the profits shown or one-half of the losses entailed. With thanks we remain,

Very truly, yours,

WM. J. FLATHER, *Vice President.*

My letter to the Riggs Bank continues:

At the same time the National City Bank sent a detailed memorandum showing the dates on which the various bonds, aggregating \$695,500, had been sold and the prices received for each lot.

On February 7, 1908, the National City Bank addressed the following communication to the Riggs National Bank:

February 7, 1908.

Mr. M. E. AILES,
Vice President the Riggs National Bank,
Washington, D. C.

DEAR SIR: It might be of interest to you to know that since our recent accounting to the Riggs National of long 4s held by us in joint account we have sold \$390,500 additional bonds at the average flat price of 118.07. This is about one-sixteenth of 1 per cent above the quotation at which we figure the prospective profit. We still have \$564,000 of the bonds in the joint account.

This letter was answered under date of February 8 by the Riggs National Bank over the signature of M. E. Alles, as vice president, as follows:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 8, 1908.

Mr. J. H. McELDOWNEY,
Assistant Cashier the National City Bank,
New York, N. Y.

DEAR MR. McELDOWNEY: We are in receipt of your letter of the 7th instant advising us that since your recent accounting to the Riggs National Bank of long 4s held in joint account you have sold \$390,500 additional bonds at the average flat price of 118.07 and that you still have \$564,000 of the bonds in the joint account. Your interest in the matter is very much appreciated, and we beg to thank you for the advice.

Very truly, yours,

M. E. AILES, *Vice President.*

On February 20, 1908, the National City Bank sent the following letter to the Riggs National Bank:

FEBRUARY 20, 1908.

Mr. M. E. AILES,
Vice President the Riggs National Bank,
Washington, D. C.

DEAR SIR: We wish to say that we have sold all the long 4s held in joint account by the Riggs National Bank and the National City. The bonds have been sold a little over one-half of 1 per cent more than we figured the prospective profit. We will send you a complete statement within the next few days showing all the sales, as well as the amount credited to the account of the Riggs National Bank to cover its one-half of the profit.

Very truly, yours,

J. H. McELDOWNEY.

On February 21, 1908, the National City Bank advised the Riggs National Bank, by letter, of the sale of "\$954,500 United States registered 4s of 1925 held by us in joint account." These sales included the remaining \$804,500 of

bonds purchased from the San Francisco bank in November for joint account and also \$150,000 of additional bonds which had been taken for "joint account" the previous April, thus closing out entirely these joint account operations.

The letter was as follows:

FEBRUARY 21, 1908.

RIGGS NATIONAL BANK,
Washington, D. C.

DEAR SIRS: Referring to our letter of February 3, we would say that we have sold the remaining \$954,500 United States registered fours of 1925 held by us in joint account. The bonds were sold at the average price of 118.468 and interest, or at a profit of 6½ points. The total profit amounts to \$64,428.75. We have to-day credited your account with \$32,214.38, representing your half of such profit.

We are taking pleasure in inclosing herewith a list containing the sales.

We have credited your account previously with \$24,704.16, as indicated in our letter of February 3. The total profit to you in the joint account amounts, accordingly, to \$56,918.54.

On February 24, 1908, M. E. Ailes, as vice president of the Riggs National Bank, acknowledged receipt of the National City Bank's letter of February 21 by the following letter:

RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 24, 1908.

THE NATIONAL CITY BANK,
New York, N. Y.

DEAR SIRS: We are in receipt of your letter of the 21st instant advising us that you have credited our account \$32,214.14 in final settlement of the joint account in long fours in transaction with the Crocker National Bank of San Francisco.

We appreciate very much your excellent work in handling matters of this kind, and trust we may have the opportunity in the future of bringing other business of similar character to you.

Very truly, yours,

M. E. AILES, Vice President.

The foregoing correspondence leaves no doubt as to the character of the transactions referred to. The Government bonds were purchased from the San Francisco bank through the Riggs National Bank of Washington, for the joint account of the National City Bank of New York, and the Riggs National Bank of Washington. The bonds were paid for by the National City Bank, which at the time of purchase practically reimbursed itself for the outlay by depositing the bonds with the Treasurer of the United States and receiving circulating notes against them. Each bank was responsible for one-half of the total cost and of the resulting profit or loss.

The National City Bank, in its letter of February 3, 1908, to the Riggs National Bank had said that "the purchases and sales have all been figures on an 'and interest' basis on the assumption that the bonds carry themselves in circulation account with no loss, and for this reason no carrying charges are assessed against the joint account in which you are interested."

This same letter distinctly states, in reporting the first sales of bonds, that "as further sales are made from time to time we will make an accounting to you either crediting or charging your account as the operations show a profit or loss."

That the officers of the Riggs National Bank thoroughly understood the nature of the arrangement there can be no doubt. They knew that the bank was responsible for its share of whatever profit or loss might ultimately be involved; and the letter from the Riggs National Bank, signed by its vice president, W. J. Flather, under date of February 4, 1908, says unequivocally:

"We note that as further sales are made from this joint account you will credit our account with one-half the profits shown or one-half the losses entailed."

During the examination of the Riggs National Bank the national bank examiner at Washington, to his surprise, found that the item of \$24,704.16 (which the National City Bank on February 4, 1908, had credited to the Riggs National Bank), instead of being passed to the credit of "profit and loss," had been credited on the books of the Riggs National Bank to a certain account known as the "Glover & Flather" account, or "C. C. Glover and W. J. Flather." The examiner furthermore discovered that \$32,214.38, which on February 21, 1908, the National City Bank had credited to the Riggs National

Bank (notifying them accordingly) on account of the profits in the joint account, had likewise, instead of being credited to the "profit and loss" account of the bank, gone also to the credit of the "Glover & Flather" account.

The examiner's investigation also showed that in the statement of condition of the Riggs National Bank submitted to the Comptroller of the Currency on February 14, 1908, and sworn to by H. H. Flather, cashier, and attested by C. C. Glover, M. E. Alles, W. J. Flather, R. Ross Perry, J. R. McLean H. Hurtt, T. F. Walsh, and Thomas Hyde, directors, the undivided profits of the bank which were given at \$175,000, included no portion of the \$24,704.16 profits paid to the Riggs National Bank by the National City Bank on February 3, 1908; nor does it appear that the same sworn statement of condition shows anywhere that the Riggs National Bank actually owned at that time a one-half interest (or say \$477,000) in the remaining \$954,500 of Government bonds still being carried by the National City Bank in the "joint account," for one-half of the profits or loss for which the Riggs National Bank had admitted, officially, to the National City Bank its liability.

This action of the bank's officers (Glover, Alles, and W. J. and J. H. Flather) in asking the bank's directors, who it is claimed "knew nothing of the Glover and Flather account," to sign such a false and misleading statement calls for explanation. These officers knew at the time that \$24,704.16 of money earned by the bank from the "joint account" had been excluded from the bank's undivided profits, where it properly belonged, and credited to the Glover and Flather account, where Mr. Glover swore it became "subject to my" [his] "order and my," [his] "disposition and those of my" [his] "coowners," and "in no manner subject to the disposal or check of the officers of the Riggs National Bank acting in their official capacity."

The books of the Riggs National Bank show that some time in April, 1908, long after the profits on the United States bond transaction, amounting to \$56,918.54, had been credited to "Glover & Flather," that account was charged and the "profit and loss" account of the bank was credited with certain items described as "profit on sundry bond sales and sundry commissions," which, I understand, it is claimed fully restored to the bank the funds which had been wrongfully diverted. The restoration of the money, however, did not wipe out the offense of which Messrs C. C. Glover and W. J. Flather, or those responsible for the action, were guilty in placing these funds of the bank to their personal credit, or justify the misleading and untrue statements which were made and sworn to by the officers of the bank concealing these transactions.

In the investigation by the bank examiner in May last, which resulted in the discovery of these and various other irregular transactions, it was found that the account of "Flather & Flather," representing the consolidation of the accounts of "Glover & Flather" and "Flather & Flather," was carrying, in cash and securities, an amount estimated at \$40,000 to \$75,000, which the Messrs. Glover and Flather claimed belonged to them personally, subject to their personal checks, and over which the bank had no authority, although they have vigorously protested that they always "intended" to use these funds for the "benefit" of the bank.

In weighing the value of their declarations, however, it is necessary to keep in mind an equally positive assertion made by President Glover under oath under date of June 18, 1914, when he said:

"I did not mean to say, and do now say, that no officer of the bank has personally profited by any commission received on or in connection with either real estate loans or bonds or stocks purchased for customers or depositors of the bank or borrowers of money therefrom. I further say that I have never personally received and kept commissions on account of real estate loans placed with or taken by depositors of the bank who withdrew funds which they had on deposit with the bank in making settlement for such loans, and have no reason to believe that any other officer of the bank ever did so. * * *

"After the incorporation of the Riggs National Bank this business was continued by the officers of the bank as individuals, the compensation received therefor being at first passed directly to 'commission' account, but later, with the knowledge of bank examiners, was passed to the credit of two accounts opened for that purpose—one in the name of 'Glover & Flather' and the other in the name of 'Flather & Flather.' The balance to the credit of 'Glover & Flather' was transferred on the 17th of April, 1914, to 'Flather & Flather,' thus consolidating the two accounts."

Senator FLETCHER. When were these two items of profits on account of the bond transactions transferred to the bank?

Mr. WILLIAMS. In April, 1918, and kept there for some weeks. I continue reading:

"Whether the officers who rendered such services were entitled to retain for their own personal benefit any part of the commissions received for such services is not material. No one of them ever claimed or intended to claim any part of said commissions. And no one of them has ever retained any part thereof for his own benefit. Amounts have been withdrawn from said accounts at various times for the benefit of the bank. Nothing has ever been withdrawn by the officers for their personal benefit, and no one of them has ever profited personally thereby."

That is Mr. Glover's statement and claim, and then I continue:

In regard to the foregoing declaration of Mr. C. C. Glover, president, the Comptroller of the Currency addressed him, under date of July 22, 1914, a letter commenting upon President Glover's misleading statements, and said:

"After I had secured these affidavits I received from you your letter of July 17, in which you acknowledge that statements heretofore made by you under oath were not true, claiming that certain inconsistencies were the result of 'pure oversight.' You thereupon admit that for a period of more than five years, or 'from January, 1897, to May, 1902, the business of making real-estate (but no other) investments for customers of the bank was done by and through the firm of 'Glover, Hyde, Johnston and others,' which firm was composed of myself [C. C. Glover], Thomas Hyde, James M. Johnston, Arthur T. Brice, and William J. Flather, each and all being at the time officers of the Riggs National Bank'; you inform me that this firm or partnership or confederation, whatever it may have been, had 'a paid-in capital of \$30,000,' and you now confess that—

"All profits by way of commissions or otherwise derived from such business were passed directly to the credit of said firm on an account carried in the name of the firm on the general ledger of the bank; and all such profits were divided directly among the members of the firm. To such extent and for the period mentioned, officers of the bank did directly profit by the commissions on such transactions."

"This means, in plain English, that after you had solemnly, indignantly, and repeatedly denied, under oath, that you had ever under any circumstances appropriated for your personal benefit any portion of the commissions received by you, an officer of the Riggs National Bank, for placing real-estate loans for the customers of the bank, you now, after certain things have been developed by this office, suddenly remember that for a period of more than five years you and other officers of the bank had deliberately pocketed and divided among yourselves all these commissions collected during the period mentioned, estimated to amount to many thousands of dollars" [over \$46,000], "which your former statements had solemnly declared had gone solely to the credit and for 'the benefit of the bank.'"

That is continuing the letter. I will not read the paragraphs which follow there, as I have read them earlier in this hearing this afternoon. But that answers, Senator Gronna, your inquiry as to whether there could have been any doubt about the fact that the bank was liable for the Government bond transaction. I think that correspondence clearly establishes the fact that the bank was directly liable, and yet it is inconceivable that Senator Bailey, if he had known those facts which I have just read to you, could have said, as he did on page 210 here:

As a matter of fact, I could go into any court of conscience or law in the world and take that money that Alles turned over to the bank for Alles himself. He was absolutely entitled to it, I think, in morals—I know in law.

I think with the evidence which we have before us it would unquestionably have been a case of embezzlement if he had done so, and I do not believe Senator Bailey knew the real facts when making that statement.

I continue to read following my quoting Senator Bailey's statement:

The statements made under oath by the officers of your bank at the examinations recently conducted by the national bank examiner, in accordance with section 5240 of the Revised Statutes of the United States, have been shown to have been so evasive, so contradictory, so misleading, and so untruthful that this office feels called upon to direct that this whole matter be brought forth with to the attention of your board of directors for their consideration; and you are now directed to read this letter to your board of directors at their next meeting and also to lay before that meeting for its information, the full stenographic reports of the several examinations made since January 1, 1915, by national bank examiners of the officers of your bank.

It is in order to call attention to the fact that, at the examinations above referred to, which were made of your officers under oath by National Bank Examiners Smith and Trimble, the questions of the examiners, and the replies of your officers and of your counsel (extracts from which examinations have been copied in this letter) were taken down verbatim by a public stenographer employed by this officer, and also by another stenographer employed by the Riggs National Bank, and that the records of these two stenographers were subsequently compared by the national bank examiners and found to agree.

You are furthermore instructed to send at once to each member of your board of directors a copy of the letter which this office addressed to you under date of March 30, 1914, and also a copy of this letter, with the request that each director acknowledge the receipt of each of these two letters direct to this office over their respective signatures.

Other deceptive and false statements which I regret to find have been made to this office and to national bank examiners by the officers of your bank will be dealt with later.

Meanwhile, in view of the unsatisfactory and dangerous conditions which have come to light as a result of the investigation of your bank by this office and the national bank examiner, and in view of the unreliability of statements made by your officer, under oath or otherwise, and your long-continued defiance of the law and disregard of the instructions of this office, you are hereby notified that the Comptroller of the Currency will until further notice refuse to approve the Riggs National Bank as a depository for the reserves of other national banks.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

That order was expressly confirmed and approved by Justice McCoy, of the Supreme Court of the District. In fact, my impression is that his suggestion was that under those circumstances the comptrollers' office would have been derelict if it had permitted other banks to continue their reserves with the Riggs National Bank under conditions as they were found to exist.

Now, the correspondence which I have taxed your patience to listen to is merely illustrative of the entire correspondence between the Riggs National Bank and the comptroller's office during that period of 8 or 10 months. We were confronted with the most contradictory statements from day to day, and we tried to clear them up. When we failed to get the facts through correspondence, we would send the examiner to put the officers under oath, to try to get them in that way, and when we did put them under oath they became forgetful, or they claimed not to remember, or they made statements that were contradictory of each other.

I have this afternoon called your attention to three or four of these inconsistencies, the testimony of Mr. McKenney on the one hand, the testimony of Senator Bailey, and shown to you how squarely the letter of June 18, 1914, signed by Mr. Glover and the two Flatheers, addressed to the board of directors of the bank, is contradicted by Director McKenney, the counsel of the bank, in the examination

of January, 1915. Mr. Glover and the Flathers say, "Of course, you doubtless know all about the accounts." Mr. McKenney says, "I never heard of them, and I doubt if any other director knew there was any such account in the bank."

If the directors did not know there were such accounts in the bank, and Mr. Glover makes statements to Examiner Reeves and other examiners as to what these accounts are on one day, and then when the examiner asks them about them, declares the statements which the examiners say he had made were absolutely incorrect, what could we assume? What conclusions could we draw? We were simply trying to get the facts. There is not a member on this committee who, if he had gone through the Riggs Bank affairs as the comptroller did in those days, would not have been equally alarmed and disconcerted at the conditions shown there. As Mr. Untermeyer has shown, it is not a question of whether you can violate the law with impunity and get away with it, but it is necessary that the banks shall obey the law, whether they can make more money by disregarding its provisions or not, and we found that the Riggs National Bank had for the entire period of its career been flagrantly disregarding the most elementary provisions and requirements of the law, and although they had been admonished, I think, probably by every comptroller and by almost every examiner who had examined them in those 18 years, they continued to do as they pleased.

The earnestness with which we investigated this matter was simply indicative of our anxiety and our desire to rid the bank of dangerous and disturbing elements which, if they had been permitted to operate and continue unabated, might have brought ruin to the bank and distress to thousands of depositors or shareholders.

Senator FLETCHER. Mr. Hogan says, page 32:

In 1896, 16 years after it had been formed in this community as a private banking house, it took out a national charter, with a capital of \$500,000.

Has that capital remained at that?

Mr. WILLIAMS. No. Senator McLean asked awhile ago when the capital was increased, or when it was distributed. I think the increase took place between October, 1902, and April, 1903, or five years before the transaction with the National City Bank to which we referred.

The CHAIRMAN. My question referred more particularly to the distribution of the stock in 1907.

Mr. WILLIAMS. The stock had been pretty well distributed, I think, at that time.

The CHAIRMAN. You do not know.

Mr. WILLIAMS. I can get you a list of the stockholders at that time, if you would like it. I will ascertain exactly how far that distribution had been carried out at that time, and state it to the committee.

The CHAIRMAN. And the number of shares that each stockholder held, outside of the officers of the bank.

Mr. WILLIAMS. Yes. Now, Mr. Chairman and gentlemen, with your permission I would like to introduce some testimony here to show why it was impossible for the comptroller's office to obtain information in regard to the borrowings from the bank by its officers, directly and indirectly, and why it became necessary to request the

bank to send that list of direct and indirect or dummy loans which the bank had made during a period of years to its various officers and employees.

I will illustrate the character of some of the dummy loans. I will refer to the testimony of the officers of the Riggs National Bank before the national bank examiner, page 594, volume 3, of the February, 1919, hearings. Mr. Smith was the examiner conducting the examination.

TESTIMONY OF MR. HENRY H. FLATHER.

(The witness was duly sworn by Mr. Trimble.)

MR. SMITH. Mr. Flather, you are cashier of the Riggs National Bank, are you not?

MR. H. H. FLATHER. Yes, sir.

MR. SMITH. In Table No. 5, under date of August 22, 1911, is listed a note of B. L. Nevius, jr., \$26,400; and in the same table, under date of May 23, 1914, is a note of B. L. Nevius, \$24,000, with a notation, "Renewal of balance of loan of August 22, 1911."

MR. H. H. FLATHER. What was that last renewal?

MR. SMITH. May 23, 1914, \$24,000.

MR. H. H. FLATHER. What is it you want to know?

MR. SMITH. Who got the proceeds of those notes?

MR. H. H. FLATHER. Of this \$24,000?

MR. SMITH. The \$24,000 is the renewal of the \$26,400, is it not?

MR. H. H. FLATHER. I got it.

MR. SMITH. You got the proceeds of the \$26,400?

MR. H. H. FLATHER. Whichever one it was.

MR. SMITH. The \$26,400 is the note dated 1911.

MR. H. H. FLATHER. Just let me see [examining book]; 1911, is that, Mr. Smith?

MR. SMITH. Yes; 1911.

MR. H. H. FLATHER [examining further]. Yes, sir; I got that.

MR. SMITH. Who paid the note when it was paid?

MR. H. H. FLATHER. I did.

MR. SMITH. Then all the time from April, 1911, until that note was finally paid in 1914, you were carrying a note in the bank under the name of B. L. Nevius?

MR. H. H. FLATHER. The bank was carrying a note of B. L. Nevius.

MR. SMITH. The bank was carrying a note of B. L. Nevius?

MR. H. H. FLATHER. The bank was; yes, sir.

MR. SMITH. Of which you got the proceeds?

MR. H. H. FLATHER. Of which I got the proceeds.

MR. SMITH. And which you paid?

MR. H. H. FLATHER. And which I paid.

MR. SMITH. In other words, you were borrowing from the bank in the name of B. L. Nevius?

MR. H. H. FLATHER. I was.

MR. SMITH. That is all.

MR. H. H. FLATHER. Of course, you did not speak about collateral.

MR. SMITH. You own the collateral?

MR. H. H. FLATHER. I own the collateral. I just wanted to state that.

I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock-brokerage offices.

Senator GRONNA. What was that collateral?

MR. WILLIAMS. That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I

think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list.

Senator GRONNA. Were they put up at par or put up at their actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Senator GRONNA. They were?

Mr. WILLIAMS. I have no doubt they were. They were lending on stocks of a highly speculative character at par. Some of them were good. I do not know how the loans ran for a period of years; how far they were adequately margined. It was with a view to getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report.

I continue reading from the testimony of the officers:

TESTIMONY OF WILLIAM J. FLATHER, ESQ.

Mr. SMITH. In table No. 5, loans made by the bank the collateral of which did not belong to the signer of the notes, there is a note listed "George H. Felt, \$17,500, secured by 120 shares of Mergenthaler," I think it is.

Mr. W. J. FLATHER. That is right.

Mr. SMITH. The date of that note is April 30, 1912. Is that the same note or a continuation of a note that is listed in the letter of July 14, 1914, for \$17,500, secured by 116 shares of Mergenthaler?

Mr. FLATHER. The same note.

Mr. SMITH. Then it was in the bank from April 30, 1912, until paid in June, 1914?

Mr. FLATHER. I think so.

Mr. SMITH. The correspondence shows that you received the proceeds of that note.

Mr. FLATHER. I did; yes, sir.

Mr. SMITH. Who paid it when it was paid?

Mr. FLATHER. I paid it.

Mr. SMITH. What was the object of procuring Mr. Felt to make that note for you?

Mr. FLATHER. I do not know that I had any real reason, Mr. Smith, except that I was borrowing some money here, and I thought I would get Mr. Felt to borrow some for me. That is all there is to it. It was my money and my collateral.

Mr. SMITH. And you borrowed the money from a national bank in which you were an officer and in a way that it did not show that you were the borrower?

Mr. FLATHER. Yes; that is very true.

Mr. SMITH. In table No. 5, just referred to—

Mr. FLATHER. But I never passed on that collateral nor on any other note which I ever had discounted or borrowed money on from the Riggs National Bank.

Mr. SMITH. You procured Mr. Felt to give you his note for the purpose of getting the money, did you not?

Mr. FLATHER. Mr. Felt gave his note with my collateral at my request; yes.

* * * * *

TESTIMONY OF W. J. FLATHER—Continued.

Mr. SMITH. The other day, Mr. W. J. Flather, Mr. Glover stated that the proceeds of the A. M. Nevius note were his, in other words, that was an accommodation note procured by him. The George H. Felt note, I believe, was the one you said was an accommodation note for you.

Mr. FLATHER. I would not call it an accommodation note.

Mr. SMITH. You procured Mr. Felt to give it, and you got the proceeds?

Mr. FLATHER. I loaned Mr. Felt that collateral and he borrowed the money on it, the same as you or anybody else would, and gave me the money.

Mr. SMITH. As a matter of fact—I think it is covered, but you make that statement now, so I want to ask you again; that is one way, possibly, of

stating it. As a matter of fact, did not you procure Mr. George H. Felt to make out his note and put it in the bank for the express purpose of borrowing money from the bank for your use, so that your name would not show as being the borrower?

Mr. FLATHER. I do not know that I would put it that way, Mr. Smith.

Mr. SMITH. Is not that the correct way of putting it?

Mr. FLATHER. I will say just what I said before, that I loaned Mr. Felt this stock. He borrowed the money on it from the bank, and I got the proceeds.

Mr. SMITH. As a matter of fact, then, you went to him and asked him to give you the note?

Mr. FLATHER. I went and asked him to borrow the money.

Mr. BAILEY. The note was not given to you at all?

Mr. FLATHER. No; the note was not given to me at all.

Mr. BAILEY. The note was made direct to the bank?

Mr. FLATHER. Made direct to the bank; yes.

Mr. SMITH. Did he make the note and put it in the bank, or did you get it from him and put it in the bank yourself?

Mr. FLATHER. How is that?

Mr. SMITH. Did he present the note to this bank for discount, or did you?

Mr. FLATHER. I could not state at this time.

Mr. SMITH. What would you think? What is your impression?

Mr. FLATHER. I am not testifying to thought, am I?

Mr. SMITH. You have some thoughts on the matter. You know the transaction. You handled it. In other words, did he actually come into the bank and present a note for discount and get the proceeds in cash and take it outside and give it to you?

Mr. FLATHER. I do not think he did.

Mr. SMITH. He simply signed the note and turned it over to you?

Mr. FLATHER. That is my impression.

Mr. SMITH. And you got the proceeds?

Mr. FLATHER. That is my impression.

Mr. SMITH. Then you procured him to give an accommodation note for you?

Mr. FLATHER. You know the exact facts.

Mr. SMITH. I am asking the question.

Mr. FLATHER. I have answered.

Mr. SMITH. Did you or did you not procure him to give you an accommodation note for your benefit?

Mr. FLATHER. I loaned him my collateral and he borrowed the money from the bank and I got the proceeds.

Mr. SMITH. You loaned him your collateral?

Mr. FLATHER. Yes.

Mr. SMITH. He did not have anything to do with it except the signing of the note, did he, and he signed that at your request?

Mr. FLATHER. Yes.

Mr. SMITH. Then, why do you say you loaned him the collateral?

Mr. FLATHER. To borrow the money from the bank.

Mr. SMITH. He did not get any money from the bank, did he? You got the money from the bank?

Mr. FLATHER. I used the money.

Mr. SMITH. In other words, instead of loaning him collateral he loaned you his name?

Mr. FLATHER. You can put it that way if you please.

Mr. SMITH. Is not that the correct way of putting it?

Mr. FLATHER. I do not know.

Mr. SMITH. You are an officer of a national bank and have been for years. You certainly know what is the true statement of a case like that.

Mr. FLATHER. I loaned Mr. Felt that collateral and he borrowed the money and I used it.

Mr. SMITH. Did he get any money from the bank?

Mr. FLATHER. You mean actual money?

Mr. SMITH. Actual money.

Mr. FLATHER. I doubt if he did.

Mr. SMITH. Funds or credits?

Mr. FLATHER. I doubt if he did.

Mr. SMITH. Then why do you say he borrowed the money from the bank?

Mr. FLATHER. Because he gave his note.

Mr. SMITH. But he did not get a cent?

Mr. FLATHER. On his note he says, "I promise to pay to the Riggs National Bank" so much.

Mr. SMITH. That is all right, but did he get any money?

Mr. BAILEY. Mr. Flather, you have answered that question three or four times. Decline to answer it any more.

Mr. SMITH. Do you decline to answer?

Mr. FLATHER. Any more than I have.

Mr. BAILEY. Upon the ground you have answered three or four times.

Mr. FLATHER. Yes.

TESTIMONY OF MR. W. J. FLATHER IN RE KNOWLEDGE DIRECTORS HAD REGARDING DUMMY LOANS.

Mr. SMITH. Mr. Flather, in the case of the A. M. Nevius loan, the Felt loan, and B. L. Nevius loan, if those loans were put for approval to the discount committee and afterwards the board of directors, in what manner were they put up? Did it show and were the board and the discount committee informed as to who was the real borrower?

Mr. FLATHER. Not to my knowledge, Mr. Smith. We submit a list of all loans made, with the collateral, giving the name of the borrower and the collateral offered and the amount of the loan and the market value of it, and they pass upon that.

Mr. SMITH. Did or did not the board of directors know the true borrower?

Mr. FLATHER. As far as I know, they only knew the person who gave the note—the name of the person who gave the note.

Mr. BAILEY. And the collateral?

Mr. FLATHER. And the collateral; yes. You will find that in every bank. As a matter of fact, Senator Bailey, very few banks give the name of the borrower. They simply give the amount of the loan and the collateral.

That, of course, gentlemen, is very incorrect, his suggestion there that the banks do not give the names of the borrowers. You can very readily see the tendency of such a practice as this. Mr. Flather, by getting enough dummies, could take all the money in the bank on that theory. None of the directors would know who was borrowing it or where it was going. He admits he is getting the money out, and he has done it in the names of dummies, and the board of directors did not know who were the real beneficiaries. This proceeds:

Mr. SMITH. Mr. Flather, some time ago in the course of questioning you were asked about a Felt note for \$17,500, and stated that that was a note on which you got the proceeds, that the collateral belonged to you, and that you paid the note. I would like to ask you what other loans, if any, the Riggs National Bank has made since its organization in the names of persons other than yourself where you got the proceeds or a portion of the proceeds?

In other words, the examiner is trying to find out the extent to which these dummy loans were in the bank.

Mr. FLATHER. Mr. Smith, I have told you all I know about the Felt loan. I do not know what other loan or loans I loaned the collateral for and in which I was interested.

That is a very convenient answer—he does not know anything else. He does not say there were no such loans positively. He just says he does not know.

I do know, however, that neither myself nor anybody who ever borrowed money on my collateral—I will restate that this way: I do know, however, that the Riggs National Bank has never lost a cent on any loan made either to me direct or to any other person who borrowed on collateral loaned by me.

Mr. SMITH. What I am asking, however, is to be informed what loans other than the Felt loan this bank has discounted, which I will term "accommodation" notes for you.

Mr. FLATHER. I do not recall any, Mr. Smith.

Mr. SMITH. Are there any others?

Mr. FLATHER. I do not know of any.

Mr. SMITH. Can you state positively that this is the only one?

Mr. FLATHER. No; I can not state positively, because, as you know for yourself, 18 years is a long time to remember a thing.

Mr. SMITH. Have you any record personally—

Mr. FLATHER (interrupting). Not that would disclose that fact.

The vice president of the bank informed the examiner that he keeps no record to show the extent to which he is operating on dummy loans.

Mr. SMITH. Has the bank any record which would disclose that fact?

Mr. FLETCHER. Not that I know of. Any moneys which I may have borrowed from the bank are in the records.

Mr. SMITH. Take this Felt note, for instance. Suppose an examiner goes back on the books and runs across that note entered on the books; there is absolutely nothing on the books showing that Mr. Felt did not get the proceeds but that you did. That is true, is it not?

Mr. FLATHER. What is that?

Mr. SMITH. There is nothing on the books to show the proceeds of this note went to any other—

Mr. FLATHER (interrupting). The books show the record as it was.

Mr. SMITH. That is the point I am asking about. Do the books show the record as it was?

Mr. FLATHER. The books do show the record as made.

Mr. SMITH. Do not the records show Mr. Felt borrowed that money?

Mr. FLATHER. Mr. Felt gave the note. The books show Mr. Felt gave his note.

Mr. SMITH. But do not the books show that Mr. Felt borrowed the money?

Mr. FLATHER. The books show Mr. Felt gave his note, and that the note was secured by adequate collateral.

* * * * *

Mr. SMITH. I simply ask this question, and I will ask it again of Mr. Flather, if the books do show—

Mr. FLATHER (interrupting). The books show the transaction as it was made.

Mr. SMITH. In other words, the books show that the bank received a note signed by Felt?

Mr. FLATHER. George H. Felt.

Mr. SMITH. With so much collateral for so much money?

Mr. FLATHER. Yes, sir.

Mr. SMITH. But there is nothing on the books to indicate whether Mr. Felt borrowed that money for your benefit?

Mr. FLATHER. No.

Mr. SMITH. In other words, an examination of the books will not determine what other notes may have been in the bank for your benefit similar to the Felt note?

Mr. FLATHER. In no instance.

It was concealed, apparently, all the way through as far as he could do it.

Mr. SMITH. Have you any personal record which would enable you to give me a list of those notes?

Mr. FLATHER. I have not.

Mr. SMITH. Then, outside of memory, there is no way of ascertaining it?

Mr. FLATHER. No.

Senator GRONNA. What was the financial standing of Mr. Nevius and Mr. Felt? Was that gone into?

Mr. WILLIAMS. I do not think either of them were men of any financial standing. I think one of the Neviuses was a junior clerk in the Riggs Bank. The other Nevius, I think, was in the laundry business. You have the cashier of the bank, or the officers of the bank, using one of the junior clerks in dummy transactions.

It was after this testimony by the officers of the bank showed that the bank's records would not show the real borrowers of money that

we addressed them that inquiry on January 22, a few days after the examiner had failed to get any satisfactory data, in which we requested them to give us the information in regard to the borrowings of the officers on dummy loans, and their refusal to give that information resulted in the assessment of the \$5,000 fine, which precipitated the litigation.

Senator FLETCHER. They never did answer that letter?

Mr. WILLIAMS. They never did give that information, not up to this day. But they promised in their letters, which were written to the comptroller's office at the time of the renewal of the charter, that they would thereafter conduct the bank in accordance with the provisions of the national-bank act and the rules and regulations of the comptroller's office, and I hope that is being done.

Senator FLETCHER. The law limits the amount of loans to any one individual?

Mr. WILLIAMS. Yes, sir.

Senator FLETCHER. Could one purpose of using these dummies have been to avoid that part of the law?

Mr. WILLIAMS. I think that was, in all probability, exactly what they had in mind. They wanted to get around that.

Senator FLETCHER. Even though there was ample security, still there was really and in fact a violation, or there might have been a violation, of the law?

Mr. WILLIAMS. There were three aspects in which this was wrong. One was that it was a direct violation of the law and an endeavor to circumvent the law.

Another thing, it was the adoption of the dummy principle by men inside of the bank—more reprehensible than it would be anywhere else. The very officer who should guard and protect the deposits of the bank from violations of the law was violating the law himself. Then, again, they were doing it in an underhand and secret way, by which their operations were concealed from their own officers and their own directors.

The CHAIRMAN. Mr. Williams, do you expect to conclude this afternoon?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. How much more time do you think you will need?

Mr. WILLIAMS. It will depend on the amount of additional testimony that I may have to answer.

The CHAIRMAN. That is a matter for the future. I mean, up to date.

Mr. WILLIAMS. I think I can dispose of the Riggs Bank testimony, as far as that is concerned, in an hour or two. I shall then want time to sum up and review the testimony which has been given, before closing entirely.

The CHAIRMAN. You may proceed.

Mr. WILLIAMS. In my letter to the Riggs National Bank of March 9, 1915, I call on them for a special report in regard to certain loans made by the bank. In that letter, on page 148 of the correspondence with the Riggs Bank, I say:

This office considers that this information is necessary or desirable in order to determine the true present condition of your bank and the sums of money, if any, which the bank may still be rightfully entitled to collect from its officers

for whose personal benefit or accommodation, it appears from your records, the bank's funds have been so largely used in the past.

Investigations by this office indicate that the officers of your bank have not only made or connived at the making of so-called "dummy" or indirect loans, by which funds are furnished to customers beyond the amounts which the bank could legally lend directly to those customers, as in the case of the five loans of \$50,000 each (\$250,000) made some years ago to your clerks, H. V. Haynes, F. A. Gibbons, S. B. Harrison, A. M. Nevius, and W. C. Worthington, for the benefit of one Dunlop, whose excessive loans you had been directed to eliminate from the bank, but your officers have on different occasions, it appears, loaned to themselves or one to the other the bank's funds through these so-called "dummy" or indirect loans; as, for example, when your president, less than a year ago, got \$86,500 of money from the bank through a note made by the assistant paying teller on collateral furnished by your president for hypothecation.

Your president, C. C. Glover, being under oath, was asked on January 11, 1915, by the national-bank examiner in regard to the above note for \$86,500, signed by the assistant paying teller of the bank:

"BANK EXAMINER. Who got the proceeds of this note?"

"Mr. GLOVER. I did.

"BANK EXAMINER. Who paid the note, when it was paid?"

"Mr. GLOVER. I did.

"BANK EXAMINER. And you borrowed money from the bank in the name of Nevius?"

"Mr. GLOVER. Yes."

The "dummy" loan is again in evidence when your cashier, H. H. Flather, got \$26,400 of the bank's money on the note of one Nevius, unknown to the bank examiner, but who your president and cashier have under oath described as being engaged in the "laundry" business and a brother of your assistant paying teller, and who, it appears, permitted himself to be used for this purpose by your cashier.

The records show that on January 11, 1915, the bank examiner put the following question to your cashier, H. H. Flather (who was under oath), in reference to this \$26,400 note signed by Nevius, the laundryman:

"Question by BANK EXAMINER. In other words, you were borrowing from the bank in the name of B. L. Nevius?"

To which H. H. Flather replied "I was."

No report, it appears, had been made by Mr. H. H. Flather as to this money which he thus admitted he was "borrowing from the bank in the name of B. L. Nevius," in the various statements of the bank's condition which he had sworn to since that loan was originally negotiated, in April, 1911, and it was only under a rigid examination that the facts of the case, as now understood, were finally brought out.

Another instance of the "dummy loan" occurs when your vice president, W. J. Flather, got from the bank, in April, 1912, \$17,500 on a note signed by one G. H. Felt, a bookkeeper at a salary of \$1,700 per annum in the American Security & Trust Co., in which company Mr. W. J. Flather is also a director. Vice President W. J. Flather, on January 11, 1915, made the following replies under oath to questions by the bank examiner.

Referring to the \$17,500 note signed by G. H. Felt, the bank examiner said to Mr. W. J. Flather:

BANK EXAMINER. The correspondence shows you received the proceeds of that note.

W. J. FLATHER. I did; yes, sir.

BANK EXAMINER. Who paid it when it was paid?

W. J. FLATHER. I paid it.

BANK EXAMINER. What was the object in procuring Mr. Felt to make that note for you?

W. J. FLATHER. I do not know that I had any real reason, Mr. Smith, except that I was borrowing some money here, and I thought I would get Mr. Felt to borrow some for me. That is all there was to it. It was my money and my collateral.

BANK EXAMINER. And you borrowed the money from a national bank in which you were an officer, and in a way that it did not show that you were the borrower?

W. J. FLATHER. Yes; that is very true.

The bank examiner, in the course of his examination of Vice President W. J. Flather asked him, on January 15, 1915, how the notes of \$86,500 (proceeds of which President Glover got), \$26,400 (proceeds of which went to Cashier H. H. Flather), and \$17,500 (proceeds of which were turned over to Vice President Flather) were presented for approval to the discount committee, and afterwards to the board of directors, and "whether the discount committee and the board of directors were informed as to who the real borrowers were."

Vice President Flather's replies were as follows:

Answer (W. J. Flather). Not to my knowledge, Mr. Smith. We submit a list of all loans made, with the collateral, giving the name of the borrower and the collateral offered, and the amount of the loan and the market value of it, and they pass upon that.

BANK EXAMINER. Did or did not the board of directors know the true borrower?

W. J. FLATHER. As far as I know, they only knew the person who gave the note—the name of the person who gave the note.

On March 5, 1915, A. M. Nevius, second or assistant paying teller of the Riggs National Bank, was questioned under oath by the national bank examiner, and in reply to the following questions made the following answers (Mr. Nevius's salary is \$2,100 per annum):

BANK EXAMINER. In April, 1914, you gave your note to the bank for \$86,500.

Mr. NEVIUS. I don't vividly recall it at this time.

Now, gentlemen, this statement of the assistant bookkeeper, with a salary of \$2,100 per annum, was being asked, less than a year after he had given the note, what the facts were in regard to it. Less than 12 months had passed and he says:

I do not vividly recall it at this time. I know that I gave some notes to the bank.

That was what we were trying to find out, how many notes were given to the bank by these clerks. Continuing Nevius says:

I have not looked at the bank's records particularly. I don't know whether it was in April. I could refer to the records.

* * * * *

BANK EXAMINER. Mr. Nevius, regarding the \$86,500 note in April, 1914, that you gave the bank, tell me in your own way, if you desire, the transaction. Did you get the proceeds or was it given for somebody else's benefit, or what was there about it?

Mr. NEVIUS. It was not given for my benefit.

BANK EXAMINER. What was the transaction, as far as you know it?

Mr. NEVIUS. As far as I know, I acted in the capacity of someone in whom I was personally interested. I don't know whose capacity, but I surmised it was one of the men who had been friendly to me and knew that they could—

Gentlemen, dwell on that picture for a moment. Here is this junior clerk in the bank giving notes, does not remember how many, does not remember when they were given, and when asked for whom they were given and why given, he says:

As far as I know, I acted in the capacity of some one in whom I was personally interested.

The CHAIRMAN. The records will show just how many notes he gave?

Mr. WILLIAMS. No; I beg your pardon. They do not show how many notes. I tried to get that information.

The CHAIRMAN. Do the records show what notes of Nevius's had been discounted?

Mr. WILLIAMS. The bank declined to give me the information.

The CHAIRMAN. Has not Mr. Glover told you frankly all about this transaction?

Mr. WILLIAMS. I do not consider that Mr. Glover's statements at the time of that examination were anything that could be called frank, Mr. Chairman.

The CHAIRMAN. He told you the truth about it.

Mr. WILLIAMS. I will read you his testimony and let you determine how far that was frank.

The CHAIRMAN. You have read somewhere that he was asked the question and frankly stated it.

Mr. WILLIAMS. This continues:

Mr. NEVIUS. I don't know whose capacity, but I surmised it was one of the men who had been friendly to me and knew that they could——

BANK EXAMINER (interrupting). Getting down a little more definitely than that, who asked you to give the note?

Mr. NEVIUS. W. J. Flather asked me to sign that note, as nearly as my recollection goes.

BANK EXAMINER. You did not get the proceeds?

Mr. NEVIUS. I did not get the proceeds.

BANK EXAMINER. You did not own the collateral that was put up to secure it?

Mr. NEVIUS. No; I was not personally the owner of the security.

BANK EXAMINER. You paid neither the interest on it nor did you pay the note?

Mr. NEVIUS. I did not personally pay the note.

BANK EXAMINER. The note has been paid?

Mr. NEVIUS. The note has been paid.

* * * * *

BANK EXAMINER. How much of a task would it be for you to look over a list of all your loans in the bank since its organization and tell what, if any, others there have been?

That is getting down to the question which you raised a few moments ago.

Mr. NEVIUS. That would necessitate my coming down here and digging out the old books and going over them. We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

Now, gentlemen, there is a statement from this junior clerk, this assistant paying teller, or whatever he was, that——

We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

In other words, the clear implication of that statement is that those dummy loans have been in the bank from practically the start, and as a result of that investigation of Mr. Nevius and these other officers, we called on them for a list of those loans which Mr. Nevius says had been in the bank for a good many years; and what did we get? A prompt refusal of the bank to give any of the data asked for, and resulting later on in the imposition of the \$5,000 fine, which the Supreme Court of the District says we had a perfect right to impose, and could have collected if it had been called for over the signatures of the president or cashier attested by three directors instead of the president and cashier, etc. This proceeds:

BANK EXAMINER. By the examiner taking a list of those loans and asking you, as would be necessary, as to whether this loan or that loan, going right down the list, were notes on which you personally got the proceeds, or were given for the accommodation of others, would you be able to state which were for the accommodation of others during the past years?

Mr. NEVIUS. I might not be able to state that definitely.

It was a state of delightful confusion, so far as the officers of the bank were concerned. They might be able to get it and they might

not, according to Mr. Nevius's statement, but the practice had been going on for a period of years.

BANK EXAMINER. There is nothing on the records that would enable you to state positively? They were all recorded in your account as loans to you, whether the proceeds went to somebody else or not?

Mr. NEVIUS. They were.

BANK EXAMINER. Have you any private records which would show?

Mr. NEVIUS. I have never kept a private record of that kind.

Then our letter continues:

This office regrets to inform you that it has reason to believe that the "dummy" loans above referred to were by no means all of the loans of this character, or lack of character, which the officers of your bank have been dealing in, with or without the knowledge of its directors.

The last report of the bank examiner shows that, although direct loans to your president, your two vice presidents, and your cashier have, during his investigation of your bank, been apparently pretty much eliminated from the bank, this was done partly by the transferring of the loans of your officers to other banking institutions in the district. One institution here, it appears, has loaned nearly \$100,000 to your cashier.

The cashier was the man referred to this morning who had been systematically defrauding the customers of the bank.

The **CHAIRMAN.** That was H. H. Flather, who resigned?

Mr. WILLIAMS. Yes; the cashier. I continue reading from the letter:

One institution here, it appears, has loaned nearly \$100,000 to your cashier and one of your bookkeepers, and the loans of the banking institutions of the District to four of your officers at a recent date amounted in the aggregate to approximately \$400,000, for much of which highly speculative and risky securities were hypothecated by these borrowing officers.

In view of all the foregoing conditions I feel it necessary to call upon you to furnish this office, in addition to the report of interest items on direct loans, also a report of all interest payments or discounts collected by the Riggs National Bank during the past five years on all indirect or "dummy" loans, or loans made to others in all cases where the officers or employees of the Riggs National Bank got the proceeds of such notes (or any portion thereof), or when they furnished the collateral (or any part thereof), by which such notes were secured, and in the case of each interest payment on such loans show the rate per cent per annum on the amounts thus collected by the bank.

Then on page 155, omitting several paragraphs, I read this paragraph:

For the officers of a national bank to obtain the use of its money by indirect methods, especially by requiring their clerks or employees to execute notes for the accommodation of these officers, in order to cover up operations; for the bank's funds to be gotten secretly by means of "dummy" loans or other devious methods and used by its officers for their private deals and speculations without the knowledge or approval of either the discount committee or the board are practices manifestly reprehensible and dangerous and clearly subversive of the most primary rules and ethical standards which should govern and control both the employees and officers of any well-conducted bank. It is believed that these practices will not be tolerated or condoned by any competent, faithful, and intelligent board of directors when they are discovered and brought to their attention.

You are not requested to send a copy of this letter at once to each member of your board of directors with the request that its receipt be acknowledged to this office over the signature of each director.

The first examination of your bank made after March 4, 1913, namely, the examination of May, 1913, showed that nearly two-thirds of the entire capital of your bank was being borrowed by its president, its two vice presidents, its cashier, and its other directors. These loans were in addition to other large loans which were also being made to firms or business concerns of your directors, which sums largely increased the total. The loans at that time to

your president, your two vice presidents, and your cashier exceeded \$280,000 exclusive of the indirect or "dummy" loans which some of your officers were also borrowing at that time, as has been developed in the recent investigation by the bank examiner.

At the time of the next examination of your bank, October, 1913, the loans to officers and directors had been somewhat reduced, but still amounted, exclusive of indirect or "dummy" loans, to approximately 60 per cent of the bank's capital, although the examiner reported at that time that the bank was short in its reserve.

And on page 158:

In his report of this examination—

October, 1913, the last examination prior to the examination by Examiner Trimble in May, 1914—

complained that he experienced considerable difficulty in balancing the notes of the bank, due to the fact that no one man seemed to have control over them, and as a result they were found in different departments of the bank, scattered about, some in one place and some in another.

* * * * *

It should be remembered that it was not many years ago that the president of a large and prominent western bank, who had posed as the leading citizen in his community, using the funds of his bank secretly for his private deals, went from bad to worse and was finally overtaken and sentenced to a long term in the Leavenworth Penitentiary.

It is earnestly hoped that the conditions in the Riggs National Bank, concerning which the management has been repeatedly warned, may be fully and thoroughly corrected, rather than grow worse.

It seems amazing that with the repeated remonstrances and the criticisms from the office of the comptroller the bank should have complained, as Mr. Hogan did, that there had been no criticisms made and no suggestions given by the comptroller's office as to what reforms should be instituted.

Mr. Chairman and gentlemen, I will ask your indulgence while I read to you my letter of March 25, 1915, imposing and assessing the fine of \$5,000 against the bank:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 30, 1915.

THE RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On January 22, 1915, the Comptroller of the Currency addressed you the following letter calling upon you to furnish this office certain special reports, which, in the judgment of the comptroller, were necessary in order to a full and complete knowledge of the conditions of the Riggs National Bank:

JANUARY 22, 1915.

THE RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: In view of conditions in your bank brought to light by the national bank examiner, this office, in order that it may be more fully informed as to the extent to which funds of your bank have been used by its officers for personal and private benefit through indirect or "dummy" or concealed loans, as well as through direct borrowings, requests that you prepare and deliver to this office within 10 days, under penalties provided in sections 5211 and 5213, Revised Statutes of the United States, a statement or report showing:

First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

Second. All indirect or "dummy" or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of

the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, M. E. Alles, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Alles, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, M. E. Alles, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case.

Let your reply be under oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, and Joshua Evans, jr.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

The investigations of the bank examiner had raised serious questions as to whether or not your bank had collected the proper amount of interest, which it was entitled to receive, from its officers on loans (large and small) which had been made to these officers personally, sometimes directly on notes signed by themselves and sometimes indirectly on "dummy" notes signed by clerks of the Riggs National Bank, or of other banking institutions, or by outsiders, which said "dummy" loans were usually secured by "collateral" provided by the officers of the Riggs National Bank.

It was believed to be desirable and important in order to determine the present true condition of the Riggs National Bank, and the sums of money which the bank was rightfully entitled to and which it might not have collected from its debtors, that these special reports should be furnished to the comptroller's office within the time mentioned in the letter aforesaid.

You acknowledged receipt of the letter from this office of January 22, 1915, under date of February 1, 1915, and refused to furnish the special reports called for.

This office could not accept, as an excuse for your refusal, the claim made in your letter that the large amount of money which the national bank examiner found the Riggs National Bank lending to its own officers at the time of his examination last summer, on both direct and indirect or "dummy" loans, amounting to some hundreds of thousands of dollars, had nearly all been paid. Their repayment did not dispose of unsettled and important questions affecting the condition of your bank. It is instructive, though not reassuring, just here to point out that these payments were largely made by transferring the loans of your officers to other national banks and to some of the trust companies of the District. The reports of national-bank examiners to this office indicate that the money being borrowed at a recent date from national banks and from trust companies of the District by four of the senior and junior active officers of your bank amounted to more than seven hundred and fifty thousand dollars (\$750,000).

That shows the extent at that moment of their speculations, as far as ascertained by the examiners' reports.

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees.

We do not know what their borrowings were in other State banks and other national banks, but in these particular institutions this small group—these for officers of this bank—were borrowing more than \$750,000.

Senator GRONNA. From outside banks?

Mr. WILLIAMS. Yes, sir. Mind you, this says:

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees, and by two of the local trust companies.

Through the influence of these officers with these institutions, with which they were officially connected in one way or another, they got

these large loans, amounting at that time to over \$750,000, just these four officers of Riggs Bank.

The CHAIRMAN. I suppose Mr. Glover could have borrowed that sum himself in any one of these banks, could he not, without any trouble?

Mr. WILLIAMS. He would not do it with the approval of the Comptroller of the Currency. There is no one of these banks in Washington that would have had authority to lend \$750,000. And I will say this, that it could not have been done in the District without resorting to dummy loans and concealing it from the bank examiners.

The CHAIRMAN. So far as his credit is concerned, he would be good for that amount, I suppose?

Mr. WILLIAMS. I do not know, Mr. Chairman, as to what Mr. Glover is worth or what his borrowing capacity may be. That is not the question we were discussing at all. I do not see how his ability to borrow money enters into it. I am talking about what these officers were borrowing from banks under the supervision of this office, on speculative securities, largely. I am not undertaking to say to what extent Mr. Glover, as an individual, may go anywhere and borrow money. That is not my province at this time. It would be my province to see that Mr. Glover did not borrow from any one national bank more than the amount he was permitted by law to borrow from that bank, and to see that he did not borrow in an indirect way more than the amount fixed by the law.

The CHAIRMAN. Had he borrowed more than he was entitled to?

Mr. WILLIAMS. I do not know, because he refused to give me that information.

The CHAIRMAN. I suppose an examination of the other national banks would disclose that.

Mr. WILLIAMS. I do not know. I asked the Riggs Bank to give me a list of the loans made directly and indirectly to officers, and they refused. This proceeds:

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees and by two of the local trust companies, and were secured mainly by stocks and bonds, many of the stocks decidedly speculative, such as Greene-Cananea Copper, Lanston Monotype, Nevada Consolidated Copper, Missouri Pacific Railway, American Can common, Reading common, B. & O. common, United States Steel common, Pacific Gas & Electric Co. common, Wabash fours, Pacific Coast second preferred, United States Rubber preferred, Intercontinental Rubber common, Pittsburgh Coal preferred, Washington Railway & Electric, Seaboard Air Line preferred, Southern Railway preferred, Utah Copper, and Washington Utilities Co. stock; and they were hypothecated in these loans nearly all of the stock of the Riggs National Bank owned by the borrowing officers.

In addition to pledging and hypothecating these speculative securities, which they bought on margin, they had also hypothecated nearly all of the stock of the Riggs Bank owned by these particular four borrowing officers. Suppose anything had happened to the bank and it should have been necessary to assess the stock, what could they have done?

It should be here noted that, in the opinion of this office, no excuse has ever been given for the action of your president in getting \$86,500 of money from the bank without the knowledge of its directors as to the real borrower, on a note signed by the assistant paying teller of the bank (salary \$2,100) for use in one of his [C. C. Glover's] personal real estate deals or transactions. The

statement that the real estate notes, arising from the deal, might be sold to a customer, or customers, of the bank and thus accommodate such customer does not relieve this dummy or concealed loan of odium. The practice, which appears to have been in vogue in your bank for some years past, for the officers or junior clerks of your bank to borrow its funds, sometimes in their own name and sometimes in the name of dummies and sometimes as dummies for others, on speculative stocks and bonds is unbusinesslike, sets a very bad example to the bank's over employees, and is, in fact, thoroughly reprehensible and can not be too strongly condemned, notwithstanding the fact that your president, as late as January 11, 1915, referring to the \$86,500 of money borrowed by him in the name of the paying teller of the bank said, when being examined under oath, "I did not see any reason why it should not be done in that way." And, again, on March 5, 1915, after he had had opportunity of reflecting upon his conduct, he made the following statement: "I did not consider I was doing anything wrong," indicating an ethical standard which is not consistent with the recognized conventions of sound banking.

The CHAIRMAN. That loan was in connection with the purchase of the Navy Annex Building, was it not? It was the purchase of some real estate?

Mr. WILLIAMS. Some real estate loan for which it was desired to obtain a commission. I may speak more feelingly about these practices than you think the situation justifies, but I assure you I think you would feel as strongly as I do if you could see the wrecks of the banks which have been occasioned by practices of this kind, where the officers, the men on the inside, have obtained money in an irregular or unlawful way. More banks are broken from the inside than from the outside. I should say that of the bank failures in this country ten times as many banks have been broken by men on the inside in the past 50 years as have been destroyed by burglars from the outside—ten times as many. I can realize that my correspondence may have seemed to some of you to have been a little impatient, but I earnestly urge that you consider the fact that the situation had impressed me as being an exceedingly dangerous one; one which had been going on for a long time, and which I was gravely apprehensive would bring serious loss, if not ruin, unless it was checked; and I am happy to say that these practices were largely checked as a result of the activities of the comptroller's office, and they were not checked a bit too soon.

These stock operations were suspended, I think, probably in June, 1914, or just a month before the markets of the world were frozen up as a result of the outbreak of the European war. If they had continued in the full swing of speculation up to the 1st of August I think it is reasonable to apprehend that the conditions would have been very much more serious than they were for this bank. But as a result of the earnest admonitions and remonstrances of the comptroller's office, the private wires were done away with, and the clientele which were accustomed to frequent the corridors of the bank for their speculative ventures went elsewhere.

(Continuing to read:)

Such practices are sometimes attended with direful consequences to employees as well as to the bank whose funds are being jeopardized, as the following press dispatch relating to the tragic fate of a receiving teller in a Cleveland, Ohio, bank whose borrowings, \$775 were insignificant as compared with the loans to your officers and employees, pathetically and clearly shows—

"CLEVELAND, March 18.

"Bertram O. Hill, 38, receiving teller at the Cleveland ——— Bank, shot and instantly killed himself to-day. * * *

"Shortly before his suicide Hill received a letter from a Pittsburgh bank reminding him payment was expected Friday of his note for \$775."

The suggestion you have offered that the bank examiner should, himself, get from your books the details as to your "dummy" or "concealed" loans, I regret to say can hardly be regarded as being offered in good faith, in view of the testimony given under oath by different officers of your bank that, in reporting "dummy" or concealed loans to the discount committee and to the board of directors, the names of the real borrowers were not made known—"as far as I know they only knew the name of the person who gave the note." [Testimony of Vice President Flather under oath, Jan. 15, 1915], and the subsequent testimony of your paying teller on March 5, 1915, that there was nothing in the books or records which would show positively which loans were "dummy" loans and that in order to select such loans from the records he would "have to rely on memory."

On February 11, 1915, this office wrote you as follows:

"TREASURY DEPARTMENT,
"COMPTROLLER OF THE CURRENCY,
"Washington, February 11, 1915.

"The RIGGS NATIONAL BANK,
"Washington, D. C.

"SIR: On the 22d ultimo this office requested you to prepare and furnish within 10 days, under the penalties provided in sections 5211 and 5213, R. S., a statement, or report, showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Alles, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., or any of them indorsed or for which they furnished the whole, or any portion of the collateral, by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Alles, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them, giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case."

This office has received a letter from you dated February 1, 1915, in which you claim that the loans heretofore made to its officers by the Riggs National Bank have now been paid, and that the only loan to any member of the respective families of the officers named is a certain loan to the wife of your cashier.

You also say:

"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named * * *."

This office has information which indicates to the contrary.

You say, referring to letter from the comptroller's office of the 22d ultimo:

"As the statement which you request would require an examination of all of the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call a special report, we decline to furnish it."

It is with regret, although not with surprise, that the comptroller notes your official admission that the preparation of a statement showing the borrowings from the Riggs National Bank of its own officers—its president, its two vice presidents, its cashier, and its assistant cashier—would be a task of such large dimensions as would "entail serious loss of time and diverting the attention of our [your] officers and employees from our [your] current business."

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency of the 22d ultimo you are liable for a continuing penalty of \$100 per day,

as set forth in the letter of the 22d ultimo, above referred to, in accordance with sections 5211 and 5213 of the Revised Statutes.

Respectfully,

T. P. KANE,
Acting Comptroller.

You are now hereby notified that for your failure to make and transmit to this office within the time mentioned, or within five days after the expiration of said time, the special report or reports called for in the aforesaid letter of January 22, 1915, you are hereby assessed and directed to pay the penalty of \$100 per day for each day from February 8, 1915, to date, March 30, 1915, both dates inclusive, in accordance with the Revised Statutes of the United States. Said penalties amount to this time to \$5,000, which sum you are hereby directed to pay at once into the Treasury of the United States under the provisions of the statutes above referred to.

You are furthermore notified that continued failure on your part to furnish the reports called for in the letter from this office of January 22, 1915, will subject you to further and continuing penalties under the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring for your failure to furnish other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes.

I call your attention to the fact that those other penalties were never assessed at any time by the comptroller's office.

Now, gentlemen, as to the views of the court, the language of the court itself on this subject, as to whether there was any evidence indicative of any conspiracy to injure by the Secretary of the Treasury or the Comptroller of the Currency, I ask your attention to page 625 of the record of the supreme court of the District, where the court says:

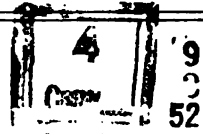
I think the proof of good faith on the part of Mr. McAdoo, whatever he had to do with this matter, and of the comptroller, is absolute and complete.

(Thereupon, at 5 o'clock p. m. an adjournment was taken until tomorrow, Tuesday, July 29, 1919, at 10 a. m.)

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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



BEFORE THE

COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS.

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 10

Printed for the use of the Committee on Banking and Currency



WASHINGTON
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1919

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HJ 273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

TUESDAY, JULY 29, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present Senators McLean (chairman), Penrose, Calder, and Newberry.

Present also Hon. John Skelton Williams, Comptroller of the Currency, and others.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

MR. WILLIAMS. Mr. Chairman and gentlemen, before proceeding with the subject which we had under discussion when I left off yesterday, I am wondering if I might ask the committee, if it be agreeable to them, to indicate to me how much longer these hearings are likely to continue. I am very much aware of the fact that the time of the committee is exceedingly valuable, we have already consumed some three weeks time, I think, in February before a previous committee of the Senate, which made a favorable report on this matter, and these hearings have been going on now for about a month. The Comptroller of the Currency has under his supervision, and is to a certain extent responsible for the lawful and proper administration of, as far as the national banking act is concerned, some 8,000 national banks.

The office of Comptroller of the Currency, which I have had the honor of holding, is not an easy job, and it is certainly not the desire for financial remuneration that has made me continue to hold it. I have done the best that I could as comptroller in the discharge of the obligations which I assumed when I took the oath of office, and, as to whether those efforts have been successful or not, I point to the record. This record shows that for the past five or six years that I have had charge of this work, the results have been the most satisfactory of any similar period in the country's history.

In the past two and one-half years of strain and stress and trial of war the record shows that the failures of national banks has been fewer than at any previous period since the national-bank act was originally passed. As a matter of fact, this record shows that in the preceding 25 years the number of national-bank failures, per 1,000 operated banks was 16 times greater per annum than in the past two and a half years of unprecedented strain and trial.

The records also show that in the matter of growth and resources the national banks have increased more in the past 5 or 6 years than in the previous 47 years. They also show that, despite the fact that the national banks have been required to observe the law more closely and more rigidly than ever before and that they have observed the law more closely, their earnings have been far greater than in any previous years or in any previous administration both as to the gross receipts and as to the net earnings.

Those figures which I have briefly summarized reflect upon—and, I think you will agree, very favorably—the administration of the office in the past five or six years.

The CHAIRMAN. That is generally true in regard to State banks, as well as national banks, is it not, Mr. Williams?

Mr. WILLIAMS. The showing of State banks is nothing like as favorable. There are in the record figures which show that to be true. I shall be very glad to refer you to that portion of the record, where a comparison has been made in the previous hearings, if you desire it.

As to the criticisms and complaints which have been of the comptroller's office and his administration, as I stated, the Comptroller of the Currency has under his supervision more than 7,850 national banks, with which he is in immediate touch and almost daily correspondence. If those national banks had been the victims of discrimination or of injustice, it is likely that some of them would have come forward to file their complaints. I am not willing to believe that the national bankers of the country are cowards. I should resent the imputation that they are. If they had a grievance they would come forward like men and state it.

But what do we find? These hearings have been going on, at intervals, for nearly six months, and in all that time, although there are about 25,000 executives of national banks, not one has come forward to make complaint against the administration of the Comptroller of the Currency of his own accord. And of those who have been summoned by the committee, who have come forward and have stated to you that they came forward unwillingly, if we include all those, there has only been one officer of a national bank come forward to testify against this administration, or to charge partiality or discrimination, out of 25,000, and that one officer who came forward gave testimony here which has been shown to have been utterly untrue and unfair on the testimony of witnesses whose statements can not be challenged. Aside from that one executive of one national bank summoned by this committee to tell all he knew, and who did not tell what he knew, but whose evidence was exceedingly unfair and incorrect, there has not been one officer of one national bank appear at any of these hearings in the past six months.

Who has come forward to testify? Where have the complaints come from?

The principal witness has been an executive of one or two small savings banks of the District, who made various charges and complaints the falsity of each one of which has been demonstrated to this committee. And as to the character of that witness, he has been shown by testimony given there to be thoroughly discredited, and untrustworthy, and a falsifier. That evidence is before you in the record. We have shown that his original complaint was based upon a refusal

of the national-bank examiner to permit him to load this local savings bank down with rotten paper from a string of banks in which he and a number of his confreres were interested in various places in the South—as I say, rotten paper which no bank should have entertained for one second. I pointed out to you one instance where one of the makers of this paper had \$16,000 of it in this local savings bank, and how the maker of that paper was sued for a note of about \$3,000 by one of this witness's brothers from North Carolina, and in reply he stated that he, the man who signed that \$16,000 of notes which were at one time found in one of these savings banks, was not responsible for that paper, but that the witness's brother, who was running a bank in North Carolina, was really responsible, and that they had been mixed up in the discreditable and disgraceful failure of three or four banks in the South, and that when these facts were coming to light this Wilmington brother of this Washington witness appealed to him to sign notes up to the extent of about \$100,000, which he plastered around among various banks or individuals as valid, binding obligations, and which he then came forward and repudiated, and said that he was requested by the Wilmington brother of this discredited witness to sign them to save them from disgrace.

When the comptroller's office had obtained a copy of that affidavit making those allegations, which were printed in the record, there was a hurrying to and fro, it seems, down there in the Carolinas, and this kinsman of the local Washington banker sent forward a statement, requested permission to amend his bill, withdrawing the grave and serious charges which he had made under oath against the Wilmington official, who was a director in the local bank of which his brother, Wade Cooper, was president.

It is a question for you to decide as to how you desire to regard him, whether as a willful perjurer, or as an unwilling witness against the discreditable and disgraceful operations of his kinsman.

This local banker himself I have shown you has been guilty of transactions and operations which I regard—and I believe which any Comptroller of the Currency who ever occupied that post would have regarded—as disgraceful, if not fraudulent. I have no hesitation in stating to the committee that, in my judgment, men of that character and type have no place in the banking business.

My attitude toward that official is not governed in any way by personal feelings. I had never heard of him until I came to Washington, nor had I ever seen him, perhaps, more than two or three times, until this controversy arose. He has told you that until last October, when the national-bank examiner insisted upon a reformation of conditions in the local banks, his relations with the comptroller were entirely pleasant, and he also went on to say in October last, that as far as the national-bank examiner against whom he brought those charges is concerned, he regarded him as an excellent examiner, except for what he claimed to be his personal prejudice against the head of the bank.

Now, gentlemen, I ask your attention to these facts: The condition of the national-banking system, the administration of this office for the past five years or more on the one hand; and the complaints which have been made against it if any. I do not know

of any well-founded complaints made against this office by responsible men which can be substantiated or corroborated.

You were good enough, Mr. Chairman, to say to me a few days ago that you would give me the opportunity of answering or explaining or replying to any charges or complaints of any sort that might reach this committee privately, secretly, or otherwise.

The CHAIRMAN. So far as they came to my knowledge as chairman.

Mr. WILLIAMS. So far as they came to your knowledge; yes.

Senator PENROSE. What did you say, Mr. Chairman?

The CHAIRMAN. So far as they came to my knowledge.

Senator PENROSE. I have received a vast number of complaints about the comptroller's office from Pennsylvania. I suppose three-fourths of the bankers in the State have written to me complaining.

Mr. WILLIAMS. I should be very happy, Mr. Chairman and gentlemen, to be given the opportunity of answering any complaints that have been made against the comptroller's office. I do not think it is fair, with all due respect, for the committee to act upon *ex parte* complaints which are not answered.

Senator PENROSE. These complaints are so unanimous they are impressive. I have not gone into them at all. Most of these gentlemen do not want their names known because they fear that things might be uncomfortable.

Mr. WILLIAMS. How could they be uncomfortable to them?

Senator PENROSE. I do not know. I am not a banker, and do not know.

Mr. WILLIAMS. I do not believe, gentlemen, that any member of this committee is willing to condemn a man on an *ex parte* statement on charges of which he is entirely ignorant. I am not willing to believe this committee would be governed in that way. It would be subversive of the most elemental principles of justice and fairness. But we have seen the character of some of the complaints, the hollow, shallow, mocking character of some of the complaints that have been filed with your committee.

I have pointed out to you the resolutions which your committee was informed were passed by the clearing-house association of Winchester, Ky., and laid before this committee in February by an eminent, distinguished former Member of the Senate, and when he was asked what clearing house passed that resolution he declined to say. A member of the Senate committee told me subsequently that he understood that the resolution came from Winchester, Ky., and I have shown you that a few weeks later a national bank examiner wrote to me and stated that he had had occasion to examine the national banks of Winchester, Ky., a few days before, and that in the course of his examination he called for the clearings in order that he might check them up with the clearing house, and the officer of the bank to whom he made the application became very much confused.

He said, "We have no clearing house, and never had one."

The bank examiner said, "Have no clearing house? Who passed that resolution which was presented before the Senate condemning the Comptroller of the Currency?"

His confusion increased. He said, "So and so," naming an officer, or the teller, in the other national bank of the city—"He and I

got that up"—a resolution which purported to be a resolution of the clearing house, and was sent on to Washington as a resolution of the clearing house, which did not exist, and which had never existed. He said, "I got that up. I am tired making out those reports for Washington. I am a Republican, anyhow."

That was his excuse to the national-bank examiner, whose evidence is in this record. And there is a fake resolution of the Winchester clearing house laid before you for the purpose of influencing your judgment and your opinion, by two petty officers of national banks there, and when inquiry was made of the president and directors about that, they expressed their deep regret that anything of that sort should have happened, and said that they knew nothing of it at all.

The CHAIRMAN. You do not mean to imply that the Senator who introduced that resolution knew that it was a fake?

Mr. WILLIAMS. I know nothing about that. I told you in the previous hearing that the same Senator who introduced that resolution had informed your committee that he had never received a letter or word commendatory of the Comptroller of the Currency, and that subsequently, when it was discovered that I knew of correspondence which he had had in Lexington, Ky., with a leading banker of that city, the president of the local bankers' association, he said, 'Well, I was going to mention that letter,' but he never read the letter to the committee, and that letter was read to the committee subsequently by me, and inserted in that record, in which that leading banker, a man who had had 40 years' experience in the banking business, informed the Senator that he had been in the business 40 years, and that he had seen many comptrollers come and go, but that he was never aware of an administration which had been more successful than the present one. The letter was commendatory throughout. He said that his bank had never been put to any hardship, and that he welcomed the examinations which were being made, which were calculated to improve and strengthen their position. And he said, "In order that you may see that I am not governed by partisan motives, I am a rock-ribbed McKinley republican, and always expect to be. But I think it is only fair to the comptroller that I should write you as I am doing."

When the Senator stated to your committee that he had never received or heard a commendatory word about the comptroller he was in possession of that letter, freshly received. I mention the Winchester resolutions as indicative of the secret propaganda against the comptroller's office.

Without boasting, I desire to say that the comptroller's office is in receipt of hundreds of letters from all over the country, from Republicans and Democrats alike, regardless of political affiliations, commending and approving in the highest terms the methods and policies which have been instrumental in achieving the results which have been obtained in the past five or six crucial years.

I have mentioned, I think, the only national bank officer who has appeared nolens volens before this committee, and whose testimony has been shown to have been thoroughly incorrect on the one hand, and I have referred to the only other bank official who has appeared before this committee, and I pointed out to you the character of the man and the basis for his complaints.

Now, the very valuable time of this committee has been consumed largely in the past in listening to a rehash of the old complaints in regard to the United States Trust Co. transaction in 1913; the Riggs case the following year. Really, gentlemen, I begrudge on your account the time you have had to give to the further ventilation of the discussion of the United States Trust Co. matter, which has already been reviewed and passed upon by two committees of the United States Senate in connection with my nomination.

I also regret that you should have to review the Riggs Bank equity case, which was overwhelmingly decided in favor of the Secretary of the Treasury and the Comptroller of the Currency in the decision handed down by Justice McCoy, of the Supreme Court of the District of Columbia, first in the interlocutory decision, and then again in the lengthy decision which was rendered about a year later.

Mr. Darlington, of counsel for the Riggs Bank or some of its officials, was summoned, I understand, by this committee to testify recently, and he made a very plain, clear statement before your committee, which was mainly in accordance with the facts of the case, with the exception of certain criticisms which I have already pointed out, and which have gone into the record. As far, however, as any criticisms relating to the aspect of the case which Mr. Darlington discussed, or which Mr. Hogan discussed in the closing portion of his testimony are concerned, they have already been completely answered by Mr. Untermeyer, and by the testimony which I have heretofore given. So I forbear to take up your time in further discussion of those aspects of their case.

I do not know how far it may be the desire of the committee to permit Mr. Hogan to continue his statement before the committee, but I do venture to express the hope that if he comes before you again you will induce him to limit his statements to a narration of facts and not proceed on the assumption that he is a competitor in a contest, where, up to date, he has clearly shown himself to be entitled to the first prize, with Ananias coming later on for honorable mention.

Mr. Hogan's aim, as far as I have been able to discover, has been, as I have heretofore told the committee, apparently to becloud and swamp the record with a conglomeration of inaccurate statements and untruths, and these I have endeavored, at the cost of taxing the patience of your committee, to point out in much more detail than it seemed to me to be necessary. If Mr. Hogan desires to resume his statements before the committee, I am quite prepared to answer immediately and promptly any statement or allegation of any sort which he may make which may reflect directly, remotely, or in any way upon the fair, impartial, and correct discharge of the official duties of the comptroller, or upon his conduct in office in any respect.

I should like, Mr. Chairman, before I take up the introduction into the record of several other letters in this correspondence, to say a word or two in regard to the charges which were made in the Riggs case of conspiracy or discrimination or malice. The decision of the judge was that there was no evidence anywhere of malice on the part of either the Secretary of the Treasury or the Comptroller of the Currency.

On page 139 of the annual report of the Comptroller of the Currency for 1916, there is published the interlocutory decree of Justice McCoy, of the Supreme Court of the District.

The CHAIRMAN. Has that decree been put into the record in full?

Mr. WILLIAMS. I think it has. I only want to read extracts from it.

The CHAIRMAN. I think it had better go in if it has not gone in already.

Mr. WILLIAMS. Very well. The judge says:

But on the other branch of the case in regard to granting any pendent lite relief in regard to these deposits, or in regard to the reserve agency end of the situation, I say what I said before, that the case, such as it is, made out by the bill, assuming that any was made out by the bill for the purpose of an injunction, has been met overwhelmingly, in my opinion, by the proofs which are here in the form of affidavits, and I shall deny that relief pending the action.

Mr. WILLIAMS. Then, the judge goes on and says:

I was struck, when I first read the bill, by the allegation on page 14 of the printed bill here, which I called attention to the other day:

"Plaintiff further avers that prior to December, 1913, the defendants McAdoo and Williams had, in ways which will be fully detailed in the evidence to be taken in this suit, openly and publicly manifested their personal malice toward certain of the plaintiff's officers."

I wondered what that meant, and I do not know to this minute what it means; but, of course, there is an absence not of evidence but of the statement of any ultimate facts that would sustain that allegation in the bill; and when I came to read this Tribune article, which appears there, and the incident which occurred in Mr. McAdoo's office, whenever it was, coupled with that, if I were obliged to resort to that I should say that perhaps it was shown that the malice was the other way.

Those are the words of Chief Justice McCoy, of the Supreme Court of the District of Columbia. Continuing he says:

In view of the absence, as I say, of any statement here as to backing up this general allegation, and coupled with what is in there, I do not see how anybody can fail reasonably to reach that conclusion, and that if there were bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants were the aggressors in the matter.

That, gentlemen, is the language of the judge deciding the case.

Then, again, I do not think it is necessary here to decide whether there has been any arbitrary exercise of power, or exercise of arbitrary power, in regard to this question of the reserve agency or any threat of an exercise of arbitrary power. It seems to me, on the record that is made here before me now, that the Government officials would have been remiss if they had consented to permit the bank to act as agent for a new applicant bank.

That, gentlemen, I repeat, is the language of the judge. The comptroller would have been remiss if he had permitted a bank, conducted as that was at that time, to continue to act as reserve agent for other banks.

Because I think, for the purpose of this motion, always—now, I am not passing on the ultimate merits of the case—there is evidence here of persistent violations of the law, and that they began, not with Mr. Williams' incumbency of the office—and that has another bearing, perhaps, on the question of what animated Mr. Williams—but they began before he came there, and there is evidence that they are continuing until this day; and even if the comptroller is wrong about what kind of a bank ought to have Government deposits (namely, a so-called commercial bank or stock-exchange bank), even if those features were not in there, the other features of violations of law are in there; and I should say that he was quite right in determining to take out those deposits, or at least to say that there should not be any further selection of this bank as a reserve agency.

There is a complete, and I should say convincing, statement from the judge, with the evidence before him, as to whether the comptroller's action in that particular case was right or whether it was not.

While it may have nothing to do with the law of the case, I suppose that all judges have some right to consider matters of banking policy when they are called upon to decide legal questions. I should say that the policy of not having large deposits in so-called stock-exchange banks, as compared with the amount of deposits in commercial banks was an absolutely good and sound policy, and the fact that Congress thinks so is now embodied in the Federal reserve act.

This question about whether or not stocks are good, and whether or not dealing in stocks is any different from dealing in oats and grain and steers and hogs and that kind of thing, is an argument that does not need to be answered.

I wanted to call your attention, Mr. Chairman and gentlemen, to that particular portion of Justice McCoy's interlocutory decision, dealing with the question of malice and the propriety of the department's action in declining to designate at that time, under those conditions, the Riggs Bank as a depository for other national banks. But, as I understand it, that entire interlocutory decision will be printed in this record.

Now, gentlemen, I ask your indulgence while I read and comment as briefly as possible on the decision of the Comptroller of the Currency on the application of the renewal of the charter of the Riggs National Bank, which was delivered to the bank on June 21, 1916, which decision, I believe, has not up to this time been inserted in the hearings before this committee, although I think it was introduced in the previous Senate.

TREASURY DEPARTMENT,
Washington, June 21, 1916.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On the 23d of May, 1916, you filed an application for an amendment to your articles of association so as to continue the life of your association until June 27, 1936. This application, if granted in the present form, would extend the life of the corporation for 20 years and one day, which the comptroller has no power to grant, as the law now permits an extension of 20 years only. The application should be amended so as to provide that the association shall continue until the close of business on June 26, 1936, instead of June 27, 1936. The application, to be legal, should also bear a 10-cent internal-revenue stamp, as required by law. I shall assume for the purposes of this decision that the application has been amended as thus indicated, and that the 10-cent internal-revenue stamp has been affixed.

Section 3 of the act of July 12, 1882, provides:

"That upon the receipt of the application, and certificate of the association, provided for in the preceding section, the Comptroller of the Currency shall cause a special examination to be made, at the expense of the association, to determine its condition; and if after such examination or otherwise, it appears to him that said association is in a satisfactory condition he shall grant his certificate of approval provided for in the preceding section, or if it appears that the condition of said association is not satisfactory he shall withhold such certificate of approval."

The law, as you see, Mr. Chairman and gentlemen, clearly provides that the examination must be made before the comptroller passes upon the application for renewal of the charter. Mr. Darlington has been disposed to criticize the comptroller for making that special examination. I merely call your attention to that in passing. [Continuing reading:]

The word "condition," as it has been construed by my predecessors, and by the Supreme Court of the District of Columbia in the decision rendered May 31, 1916, in the suit of the Riggs National Bank v. the Comptroller of the

Currency et al., comprehends not only the solvency of the bank, but as well the character of the business done by the bank, and the management and the record of the bank with respect to observance or violations of law by its officers.

It is the duty of the comptroller to determine such "condition" with reference to all of these factors or elements, and this necessitates a consideration of the bank's record as well as of its solvency and financial resources.

Acting upon this conception of my duty, I find that the present officers of the association (who, with the exception of Mr. H. H. Flather, who resigned October 1 last, have been its officers almost since its organization), have conducted the business of the bank during almost the entire period of its existence in persistent violation of the national-bank act and in disregard of the regulations and frequent admonitions of the comptroller's office.

The same H. H. Flather who was the cashier of the bank, and who was guilty of those gross and flagrant violations of law and of the most elementary rules of ethics in connection with the execution of orders for the bond and stock purchases by the customers of the bank, as has been explained in previous testimony given. [Continuing reading:]

Violations of law and unlawful practices.

I now ask your attention, gentlemen, to the brief summary which was embraced in this decision of some of the violations of the law which the national-bank examiners encountered when the examiners made examinations of that bank and which were rendered very difficult by the obstructions which were placed in their way and the devices to conceal and hide real conditions by the bank's officials. [Continuing reading:]

Some of its violations and irregular practices have related to:

The making of real estate loans contrary to law;

Investments in stocks contrary to law;

The frequent and persistent failure to maintain reserves, as required by law;

Excessive and unlawful loans;

The carrying on of a stock-brokerage business either directly or through the agency of a partnership composed of the chief officers of the bank within the bank itself, under the firm name latterly of Glover & Flather, or Flather & Flather, and in earlier years of Glover, Hyde, Johnston and others.

The maintenance of private telephone and telegraph wires with stock-brokerage offices.

I remark here that the national bank examiner discovered that there were three separate private wires connecting the bank and its executive offices with stock offices in different cities. [Continuing reading:]

The making of dummy loans for benefit of officers of the bank.

And right there, gentlemen, I pause to explain that the suit arose in connection with the fine of \$5,000 assessed by the comptroller upon the bank for its refusal to divulge information in regard to the dummy loans and other loans made to the bank's officers and their wives and families during a period of years. [Continuing reading:]

The lending of large sums of money (oftentimes when the bank was running behind in its reserve requirement) to the president, vice presidents, and cashier of the bank, as well as to many bookkeepers, tellers, clerks, and other employees of the bank, contrary to what this office regards as proper and legitimate methods in carrying on a banking business under the requirements of the national banking act.

Right there I remark that Examiner Reeves, who has been referred to by Mr. Hogan in his testimony as a witness for the defense.

for the Riggs National Bank's officers in the perjury case and whose methods of examination were so praised by Mr. Hogan, had reported to the comptroller's office that at one of his examinations which had been made, I think, in May, 1906, six or seven years before my investigations, he had found both vice presidents of the bank, 4 or 5 of its tellers, and 34 other officers and clerks and employees borrowing the bank's funds right and left to the extent of more than \$350,000 at that time, principally upon speculative securities on which they were borrowing. [Continuing reading:]

Refusal to furnish reports as required by the comptroller's office; and
Denial of the authority of the comptroller to require information about the bank's affairs.

Its violations of law and irregular practices began shortly after the organization of the bank in 1896 and continued throughout the life of the bank until the summer or autumn of 1914, when they were discontinued because of the action of the comptroller's office.

I think, gentlemen, that the action of the comptroller in doing away with those irregular and unlawful operations was perhaps the most beneficial order that was ever carried into effect with relation to that particular bank by the comptroller's office. [Continuing reading:]

I shall not attempt to go into great detail in these matters, as they have been set out quite fully in the answering affidavits filed by the Secretary of the Treasury and the Comptroller of the Currency in the Supreme Court of the District of Columbia in the suit brought by the Riggs National Bank in April, 1915, to test the powers and authority of the Comptroller of the Currency, but it is necessary that I should advert to them in a general way. Copies of said affidavits and a synopsis made by the Department of Justice of the opinion rendered by Mr. Justice McCoy, as well as the opinion itself, are attached hereto as Exhibits Nos. 1, 2, 3, and 4, respectively, and are made a part of this decision.

STOCK-BROKERAGE BUSINESS.

National-bank examiners reported to this office, as a result of their investigations in May, 1914, that the principal officers of the Riggs National Bank were conducting an active stock brokerage and real estate loan business within the bank and were engaged in speculations for their own account, for which they were borrowing large sums of money from their own bank, from other local banks, and from the New York correspondents of the Riggs National Bank. It was established that the cashier of the Riggs National Bank, Mr. H. H. Flather, who resigned at the time that the indictments for perjury were returned against him and other officers of the bank, had a private telephone line from his desk in the bank to the office of the now defunct stock-brokerage firm of Lewis Johnson & Co. It was disclosed that Cashier Flather traded, in some instances, on the orders of customers to his personal advantage, reporting sales to customers at prices less than those at which their securities had actually been sold, and converting the difference to his own use.

That has been established by evidence, as the district attorney has informed your committee at the time he appeared before you a few days ago. [Continuing reading:]

Concerning these speculative transactions of Mr. H. H. Flather, National Bank Examiners Sherrill Smith, chief examiner of the Chicago district, and James Trimble, examiner at Washington, as a result of their examinations of the bank, submitted under date of October 2, 1915, a report from which the following extract is taken.

This is a report of the national-bank examiners:

"We find that H. H. Flather, from June 24, 1909, to March 7, 1914, had a personal account with Lewis Johnson & Co. which was speculative in character, in which he usually carried a debit balance on which interest was charged, and which for a long period securities were inadequate. That from February 29,

1908, to November 20, 1909, he carried an account as 'Henry Hepburn,' which was speculative to a lesser degree;"—

Right there, gentlemen, I call your attention to the cashier of the Riggs National Bank carrying a speculative account with this brokerage house under an alias, under an assumed name to conceal his operations—"Henry Hepburn." He was ashamed to do it under his own name in addition to the account he already had there, apparently, so he resorted to this device—"Henry Hepburn." [Continuing reading:]

"which was speculative to a lesser degree; and that so far as our investigations went, his transactions through the bank accounts with Colgate & Co. and Lewis Johnson & Co. (see this report) were most reprehensible, if indeed they are not held in some instances to be criminal."

That was the cashier of the Riggs National Bank. [Continuing reading:]

"We find that his entire dealings were conducted in a manner to prevent discovery; he maintained no balance, claiming he received and paid cash."

He used the credit and the resources of the bank, however, in those operations, and the purchases and sales of stocks through a long period of years were to a considerable extent being carried in the bank's drawer or till as cash and were nothing but the speculative obligations of officers of the bank or of their speculative clients, yet they were being counted as cash and being reported to the Comptroller's Office as cash in drawer. I have called your attention to the last report made prior to the report made by Examiner Trimble in May, 1914, when those speculative securities carried in cash amounted to about fifty or sixty thousand dollars. I think it was in November, 1913, that among other things some American Can was being carried in that cash conveniently for Mr. Glover, president of the bank. I think they explained that he was temporarily away for a few days and that he took it up when he returned. Whatever the explanation may have been in his case, we know it was being done continuously from day to day, from week to week, from month to month, and from year to year, and that false statements were being rendered with regard to the bank's condition.

The CHAIRMAN. Are you referring now to H. H. Flather, the cashier?

Mr. WILLIAMS. I am referring—I referred to the general habit of the bank in carrying securities in their cash drawer, and that H. H. Flather was among those who did that. [Continuing reading:]

"He protected himself from discovery of his deals with Lewis Johnson & Co. by having the advices come to the bank 'in care of Cooke,' and ran but a few of his transactions through his account."

Not through either of his two accounts, the "Henry Hepburn" fake alias account, or through his H. H. Flather account. He had two methods, one through the cash account, and the other through "Henry Hepburn." [Continuing reading:]

"He sold short through the bank's account.

"He advised customers of a credit before the stock was sold, and later sold the stock and took the profit, or made good the loss."

This report of the examiners showed how H. H. Flather, sometimes having orders to buy a certain stock, bought the stock ordered by the customer, and then, if it should advance, would sell the stock so purchased and take the

profit himself, and would then buy the stock again at a higher price for the customer.

Who was thus forced to pay an additional price.

The CHAIRMAN. You went into that yesterday pretty thoroughly. Mr. Williams. If you wish to repeat it, I suppose it is all right.

Mr. WILLIAMS. I took the liberty of making a few comments, as these distinguished Senators were not with us yesterday.

The CHAIRMAN. I know, but if we continue the hearing on that basis we never would finish.

Mr. WILLIAMS. I see; yes. [Continuing reading:]

Or, that, having an order to sell a certain stock he would sell on the customer's order, and then if the stock should decline he would buy it in, and later sell again at a lower price than the price at which he originally sold, but accounting to the customer at the reduced price, taking for himself the profit between the price at which the customer's stock was first sold and the price at which he bought it in, the customer losing the difference.

The examiners also stated that H. H. Flather sometimes bought the securities through the Riggs National Bank account with Lewis Johnson & Co. but making no deposit against such purchases, and then sold the securities at an advance, appropriating the profits personally.

Vice president of the Riggs National Bank, W. J. Flather, brother of the cashier, H. H. Flather, carried two speculative accounts on the books of the brokerage firm, Lewis Johnson & Co., one in his own name—

That is the vice president of the Riggs National Bank. [Continuing reading:]

one in his own name and the other in the name of a member of said firm. Orders for the purchase and sales of securities were given by him to Lewis Johnson & Co., and then charged to the account of the firm members as "agent," Vice President Flather being the real principal. Another vice president, Mr. Ailes, carried his active speculative account with a New York stock-brokerage house, with which the bank also had private-wire connection, the wire also connecting with the bank's New York correspondent.

The practice of officers of a national bank speculating in stocks and borrowing money from their own bank in order to carry on such speculations is reprehensible in the highest degree and can not be condemned too severely. Numerous junior officers, tellers, bookkeeper, and clerks are also shown by the record to have been borrowing large amounts of money from the bank to carry speculative accounts. Such practices have been the fruitful source of bank failures throughout the country, resulting in grave losses to depositors and stockholders, bringing disaster to the bank officers themselves and serious injury to the communities where such bank failures have occurred.

Gentlemen, I do not believe there is a member of this committee who will dissent from those general expressions in the comptroller's decision to the Riggs Bank. [Continuing reading:]

Aside from the stock operations of said officers of the bank the records show that the bank itself, in its own name, carried on a brokerage business in stocks, contrary to law. This business was discontinued only recently as a result of the action of the present Comptroller of the Currency. It was proven in court that the bank, in its own name and on its own credit, had more than 2,500 transactions in stocks and bonds with the stock-brokerage firm of Lewis Johnson & Co. alone.

Gentlemen, Mr. Adkins in this testimony before you showed conclusively that the bank was conducting an active bond and stock brokerage business, and he also read to you copies of advertisement appearing in local Washington papers over the signature of the Riggs National Bank relative to their bond and stock business and inviting the patronage of the public, to show that the bank itself admitted that it was doing that business, although they would at one time admit and again deny. I have shown yesterday the contra-

dictory statements made by the bank in regard to this matter. But right here I ask your attention to a letter which the Riggs National Bank on November 19, 1913, the last examination of the bank before I became Comptroller of the Currency, wrote to the Acting Comptroller of the Currency, Mr. Kane.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., November 19.

ACTING COMPTROLLER OF THE CURRENCY,

Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 11th instant calling our attention to various matters in connection with the report of the examination of this bank, which was completed by the examiner October 23, last.

Then, it goes on and refers to the reserve deficiency and various things. I want especially, though, to direct your attention to the closing paragraph on page 85 of the correspondence with the Riggs National Bank, volume 3, where the Riggs National Bank in its communication, signed by Charles C. Glover, James M. Johnson, Thomas Hyde, William J. Flather, M. E. Ailes, Frank C. Henry, Joseph Paul, Henry H. Flather, J. R. McLean, H. Hurt, C. I. Corby, Robert C. Wilkins, H. Rozier Dulany, F. S. McKenney, and R. Ross Perry—observe that these are the officers and directors of the Riggs Bank at that time, and this is their statement to the Comptroller of the Currency:

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part our purchases for customers—

That does not say “my purchases for customers,” and signed by Mr. Glover; nor does it say “our purchases for customers,” and signed only by Mr. Glover and the two Flathers; but it says “our purchases for customers,” and it is signed by all the officers and directors of the bank who were available to attach their names. In other words, this is a letter from the bank itself, not from the individual officers, who were conducting the so-called stock-brokerage business in their own name and in their own account. It says:

You are advised that for the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders, as well as in charging purchases to accounts.

We have done so; that is, the directors, the officers and directors of the bank, not Glover and Flather. [Continuing reading:]

The item above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

Respectfully,

CHAS. C. GLOVER.

[And others, directors of the bank.]

They add a footnote:

This letter bears the signature of all the directors with the exception of three, namely, Admiral Willard H. Brownson, who is abroad, Mr. F. A. Vanderlip, who is in California, and Mr. S. W. Labrot, who is in New Orleans.

Could we desire a more unequivocal admission on the part of the bank that they were conducting a bond and stock brokerage business supplemented by their advertisements in the Washington papers! And yet they came forward with denials. One day they say one

thing and another day they say another thing. That is the difficulty we had in our examination.

I called your attention yesterday to how the officers of that bank had certified to the national-bank examiner and the assistant that the commissions were all taken by themselves, personally appropriated, and that they paid the income tax on them. A little while before they said they were put in some account from which the bank ultimately got the benefit.

As I stated yesterday, this correspondence was on a very small matter and I would have been very brief, would have been adjusted and immediately closed up if the bank had been willing to make prompt and correct statements to the national-bank examiner and the comptroller's office. We would have had none of that long-protracted correspondence, but it was on account of the contrary statements in our effort to find where the truth was that the thing dragged along, and, finally, upon the bank's refusal to let us have the information in detail, as we thought should be done. [Continuing reading from comptroller's decision:]

LOANS TO OFFICERS AND EMPLOYEES.

While the new law does not forbid the making of loans to officers and employees of the bank for speculative purposes, nevertheless the making of such loans has been frequently condemned by the Comptrollers of the Currency as contrary to sound banking practice and the ethics of good banking. Many bank failures have resulted from the excessive borrowing of the bank's funds by officers of banks. Such officers owe a solemn duty to depositors not to use the funds of the banks to their personal advantage in such a way to expose the money of depositors to undue risks or to prevent the bank from performing its full duty to the community. The officers have an advantage over every other person dealing with the bank, and this of itself imposes upon them a higher duty and a greater responsibility. This practice is particularly reprehensible when dummy loans are made in the interest of officers of a bank. There were frequent instances of such dummy loans in the Riggs National Bank.

The direct and indirect loans reported under oath by the bank as made to C. C. Glover, president; W. J. Flather, vice president; M. E. Ailes, vice president; and H. H. Flather, cashier, from July 1, 1896, to July, 1914, were:

C. C. Glover.....	\$2, 534, 377
W. J. Flather.....	1, 258, 010
M. E. Ailes.....	584, 857
H. H. Flather.....	1, 282, 698

From this it appears that there was borrowed from the bank in 18 years by its four principal officers, President Glover, Vice President Flather, Vice President Ailes, and Cashier Flather, a total of \$5,659,850, exclusive of large amounts loaned to wives, brothers, sons, and daughters of some of these officers. Besides the loans to principal officers, the junior officers, tellers, bookkeepers, and other employees sometimes borrowed heavily. For example, loans made by the bank in the two years, 1904 and 1905, to its ladies' teller, paying teller, and note teller, and one of its bookkeepers exceeded in the aggregate \$466,000, largely on speculative stocks. The above loans are all in addition to large loans made during the period to directors of the bank, other than officers, and to other junior officers and employees. Some of the above loans may have been renewals of other loans, and may have been carried through the books several times, and therefore the totals may to some extent be subject to adjustment, although some of the loans ran several years at a time.

In reply to Mr. Hogan's criticisms on that point, I have stated at previous hearings of the committee that such renewals as those to which he refers amounted to a comparatively small proportion of the total loans and that the office in stating that had not, as he assumed or attempted to assert by his statement to your committee.

magnified it by three and one-third times. [Continuing reading:]

But in any case they exhibit a consistent policy, or practice, of large and dangerous proportions, which should be condemned by all who believe in sound and safe banking. It is true that after the present Comptroller of the Currency discovered this condition of affairs, the loans to all officers in the bank were taken up or transferred to other banks in the summer of 1914. Since that time the practice has not been resumed, and it ought not to be resumed at any time in the future.

Right here I think I should call your attention, gentlemen, to the fact that while the loans of the bank's officers with the Riggs Bank were taken up or apparently paid at the Riggs Bank, they were merely transferred from the Riggs Bank to other banks under the supervision of the Comptroller's Office, to banks to which the directors in the Riggs Bank were influential factors, and to two local trust companies. So that during these examinations I think that four or five officers were found to be borrowing either \$700,000 or \$750,000 from these other banks with which they were affiliated and connected, or with which some of them were connected as directors or otherwise, and the two local trust companies.

The CHAIRMAN. Mr. Williams, you remember that you went into that in extenso yesterday

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Do you think you will be able to complete by 12 o'clock what you wish to state to-day?

Mr. WILLIAMS. I will try, Mr. Chairman.

The CHAIRMAN. Yesterday you thought you could complete your statement in an hour and a half. I do not wish to limit you in any way that is unreasonable.

Mr. WILLIAMS. I regret very much that I have to tax your patience as I am doing.

The CHAIRMAN. You will bear in mind that this is all to be printed in the record and that record is to go to each Senator. If you undertake to repeat each day what you said the preceding day because some new Senator is appearing before the committee, it will be your fault, and not the fault of the committee, if we do not complete this hearing.

Mr. WILLIAMS. While discussing loans to officers and directors I simply want to call your attention to the statements in connection with those dummy loans made by the vice president of the bank when he was under examination by the bank examiner and was asked:

Did or did not the board of directors know the true bona fide?

To which he replied:

So far as I know they only knew the name of the person who gave the note.

On page 153 of volume 2 of correspondence, which has already been referred to, one of the junior officers or tellers of the bank, Mr. Nevius, whose name had been used in connection with dummy loans, stated in reply to a question from the examiner:

We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

The bank examiner then presently asked Mr. Nevius:

There is nothing on the records that would enable you to state positively? They were all recorded in your account as loans to you, whether the proceeds went to somebody else or not.

To which Mr. Nevius replied:

They were.

Without encumbering the record at this point I would refer to the list presented at a previous hearing of the loans to the two vice presidents and bookkeepers and tellers and 34 other officers and employees of the bank on May 22, 1906, as reported by National Bank Examiner Reeves, such loans at that time aggregating over \$350,000. [Continuing reading from comptroller's decision:]

BORROWING BY OFFICERS WHEN RESERVES WERE DEFICIENT.

The records of the bank show that President Glover borrowed frequently from the bank when the bank was below its requirements, or during the 30 days preceding calls for report, when the bank reported that it had during such period averaged short for 30 days in the legal reserve required. Banks were expressly prohibited by section 5191, United States Revised Statutes, from making any loans when there was a deficiency in their reserves. The records show that between August 4, 1906, and March 4, 1914, Mr. Glover borrowed 24 times from the Riggs National Bank on days when the bank's reserves were short; or, in the 30-day period when the bank had reported averaging short in reserves. These 24 loans aggregated \$412,500.

A bank when short in its reserves usually declines to lend money to other customers. At least, that is expected of a bank when it is short in ordinary times; but Mr. Glover could get money from the bank, it appears, whenever he wanted to, whether it was short or not in its reserves, as shown by the record. [Continuing reading:]

During the same period and under the same circumstances as to deficient reserves Vice President Flather borrowed from the bank over \$210,000 on 20 loans; former Cashier Flather borrowed from the bank over \$50,000 on six loans; and Vice President Ailes got 29 loans from the bank on his own note, or jointly with others, for amounts aggregating over \$200,000. I deem it my duty to bring out the foregoing facts in order that it may be clear that this office does not approve the practices to which I have referred and to enjoin upon the directors of the Riggs National Bank the importance of preventing a repetition of such practices in the future.

This office has no desire to do injustice to any bank. Its single aim is to promote sound, honorable, and safe banking, and to use the powers which the law has conferred upon it for the protection of the legitimate banking interest of the country and for the prevention of those practices which, throughout banking history, have brought injury and disaster to innocent depositors and to the business communities where bank failures have occurred.

No national bank need have the slightest fear of any conflict or trouble with the comptroller's office so long as it obeys the law and observes the rules of sound and safe banking; but no national bank, however big or little, and no officer or stockholder, however influential or important, is above the law. The comptroller must enforce the law and the rules and regulations of the comptroller's office impartially and unswervingly, whether the bank be big or little and whether or not the officers and directors be important and influential.

The records show that the directors of the Riggs National Bank have not always been as observant of their duties as the law provides and their oath of office requires. They have not always shown themselves sufficiently familiar with the transactions of the officers of the bank. If the directors had been more careful in discharging their duties many of the practices of the bank which have aroused the criticism of the comptroller's office could not have occurred. As an instance of the negligence to which I refer, one of the directors of the bank made oath for five successive years, from 1910 to 1914, that he was the owner in good faith and in his own right of 10 shares of the stock of the bank standing in his own name on the books of the bank—

I think in referring to that testimony I was overconservative and referred to it as about three years, but the evidence shows it was for five successive years.

The CHAIRMAN. Was not your report on that printed in the record of the February hearings?

Mr. WILLIAMS. You mean of the decision?

The CHAIRMAN. No. That is your report you are reading now?

Mr. WILLIAMS. That is the decision on the renewal of the Riggs Bank charter.

The CHAIRMAN. Whose decision?

Mr. WILLIAMS. The decision of the Comptroller of the Currency.

The CHAIRMAN. That is what I supposed.

Mr. WILLIAMS. Yes.

The CHAIRMAN. Did not that go into the record in February?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. So you see the committee—

Mr. WILLIAMS. It has not been introduced in the present hearings.

The CHAIRMAN. Of course, you understand that this is all one matter, and the hearings were printed in February, and that the committee will be provided with copies of those hearings.

Mr. WILLIAMS. I thought, if it was not asking too much of the committee, that I would like to make a few observations on the decision as I went along, especially in view of the fact that some of the statements have been criticized as I though unfairly by certain witnesses who appeared.

The CHAIRMAN. Very well.

Mr. WILLIAMS (continuing reading):

and that these shares had not been hypothecated or in any way pledged as security for any loan or debt; and yet each time that he made this solemn oath the said 10 shares of stock were pledged for a loan, and continued to be pledged for a loan during the whole of said five years. I accepted the explanation of this director that he made these oaths without reading them, and without realizing that he was violating the law, but it is evidence of the serious carelessness of which I speak.

UNLAWFUL STOCK INVESTMENTS.

As far back as 1898 Comptroller Dawes wrote you as follows:

"The bank holds a large amount of stocks which were purchased for investment.

"You are respectfully advised that the United States Supreme Court decided during the October, 1896, term, in the case of *California National Bank v. Nat Kennedy* (167 U. S., 362), that—

"The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act, and being such, it is without efficacy.

"All shares of stock purchased for investment now owned by the bank are held in plain violation of law, and must be disposed of without further delay."

That letter was written to the bank by Comptroller Dawes. [Continuing reading:]

Since that date and until very recently you have continued to be a holder of stocks in violation of law. May 1, 1902, the comptroller's office advised you of a decision of the Supreme Court which declared that stocks could not be lawfully held as investments, and directed that the stocks held by you should be disposed of. Similar letters directing the sale and disposition of your stock investments continued to be written after every examination up to June, 1906, but were ignored. You then transferred the stocks held by you to Joshua Evans, Jr., then a clerk, now a cashier in the bank, who gave his notes

representing the market value thereof, and the stocks were by this means carried in loans and discounts until discovered by one of the bank examiners, whereupon they were put back in "stocks, securities, etc.," and subsequently transferred into the Glover and Flather account, where they remained until finally disposed of a few months ago, or until after the filing of your injunction suit.

I call your attention to that as an instance of the disingenuousness of the bank in replying to inquiries from the comptrollers. They advised the comptroller's office that the stock had been disposed of, but when the examiner looked into it he found that they had not disposed of it but carried it along, and it was subsequently transferred back to the bank and later on concealed in the Flather & Flather account. [Continuing reading:]

FAILURE TO MAINTAIN RESERVES.

Through a period of years the bank has violated section 5191 of the Revised Statutes of the United States requiring national banks in reserve cities to carry a reserve of 25 per cent of their deposits. Out of 64 sworn statements of condition rendered between September, 1902, and March, 1915, 33—a majority—show that the bank was short in its reserves, either in the cash it was required to carry in its vault, in the amount which it was required to carry with reserve agents, or in its total reserves.

Yet the bank had testified that it was rarely if ever short in its reserves, and on those rare occasions, which were only for a few days at a time, it had quickly made good. That is in the previous record. [Continuing reading:]

These shortages in its cash reserve averaged, 1910 to 1914, more than \$150,000, and on June 4, 1914, amounted to \$500,365.

That is June, 1914, at the time these investigations began or when the controversy started.

The reports also show that there was throughout the same period an average shortage in your reserves for the period of 30 days preceding the filing of each report of the condition of the bank.

The failure to maintain reserves is particularly reprehensible on the part of a bank which is the reserve agent for other banks. A greater responsibility rests upon scrupulous maintenance of the reserves required by law.

I just read you what Mr. Chief Justice McCoy has said on that subject, that the comptroller would have been remiss to have permitted the bank to continue as it appeared to him as reserve agent for other banks under those conditions. [Continuing reading:]

FAILURE TO FILE DIVIDEND REPORTS.

You have also been negligent in filing the reports required by section 5212, United States Revised Statutes, as to the amounts of dividends declared and the amount of net earnings in excess of such earnings, while from September 11, 1905, to March 8, 1915 (approximately 10 years), you have been from 14 to 54 days late in filing each report.

Merely a chronic disregard of the important or unimportant provisions of the law.

This is indicative of the carelessness and indifferent attitude of the bank toward compliance with the requirements of the law.

REAL ESTATE LOANS.

The practice of the bank in dealing in real estate loans and lending upon real estate or real estate securities contrary to law and the regulations of this

office has continued throughout its entire existence until recently, and against frequent admonitions of former Comptrollers of the Currency. As far back as September 14, 1899, Comptroller Dawes admonished you as follows:

"Loans secured by real estate mortgages:

"At the time of the examination the bank had loans secured by real estate amounting to \$310,338.40, while in your sworn report of condition for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real estate mortgages, although about the same amount was then held.

"It appears that the loans are made through the firm of Glover, Hyde & Johnston, which is comprised of yourself and the two vice presidents of the bank, the cash being furnished temporarily by the bank, and that the notes are sold to customers of the bank without recourse on this firm. The examiner reports that at least \$2,000,000 of this paper is outstanding and its collection and management is under the supervision of the collection department of the bank."

Mr. Hogan in his testimony made confused and misleading statements in regard to the real estate operations of the bank which I think were sufficiently answered and cleared up by Mr. Jesse Adkins, in his testimony, and I will not detain you to discuss that further at this time unless you desire it. [Continuing reading:]

REFUSAL TO FURNISH SPECIAL REPORTS AND DENIAL OF THE AUTHORITY OF THE COMPTROLLER'S OFFICE.

The records clearly show that until the recent decision of Mr. Justice McCoy, to which I have referred, you refused to furnish, and denied the authority of the comptroller to call for, the information and special reports which it was essential that you should furnish in order that the comptroller might have full knowledge of the affairs of the bank. I regret to say that many of such reports that have been furnished, until quite recently, have been evasive, insufficient, inaccurate, and incomplete. It is a serious question for this office to give life to a bank or association which defies the comptroller's authority and challenges his right to such information as the comptroller deems necessary to enable him to properly understand the condition of affairs of the bank and enforce the law.

It seems to me those statements are elementary and can hardly be disputed. They have been completely sustained, as a matter of fact, by the Supreme Court of the District.

The suit brought by the Riggs National Bank against the Comptroller of the Currency et al, in the Supreme Court of the District of Columbia, to which I have alluded, grew out of the effort of the comptroller's office to secure special reports and complete information as to the affairs of the bank. Mr. Justice McCoy, in the opinion to which I have referred, says inter alia concerning the comptroller's request for a special report, the refusal to furnish which carried the imposition of the \$5,000 fine:

"That demand was two-fold:

"First, for information in regard to all direct loans made by the bank to certain of its men officers; and

"Second, for information in regard to all indirect or dummy or concealed loans made since the organization of the bank for the benefit indirectly or directly of those officers or any of them, including all loans for which they or any of them had indorsed or for which they had furnished the whole or any part of the collateral by which loans to any of them were secured, and for other information as shown by the quotation of said paragraph above.

"In the view which the court takes of the power of the comptroller these demands were entirely within his powers."

I am quoting from the opinion of the court. [Continuing reading:]

The decision of Mr. Justice McCoy further says:

"* * * It is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limits of the scope of an inquiry by the comptroller could be reasonably suggested. * * *

With this suit thus disposed of, the application of the bank is not embarrassed by an attitude of resistance to or questioning of the law and the authority of the comptroller. The next question is the future management of the bank. There are several instances where my predecessors have refused to extend the charters of national banks because of the unsatisfactory record of the applicant bank and the conduct of its officers, and have enforced their demand for a change of officers as a condition of the extension of the charter. In this case it has been urged upon me that the conduct and management of the bank under its present officers for the past 18 months is in earnest that it will be managed in the future in full compliance with the law. Whatever doubts the comptroller has entertained in this particular have been sufficiently satisfied by a written pledge, signed by all the directors and filed with the Comptroller of the Currency, that the bank's business and affairs will be conducted in the future in scrupulous compliance with the law and all lawful rules, regulations, and requirements of the Comptroller of the Currency. The following is a copy of said pledge:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., June 21, 1916.

The COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We, the undersigned directors of the Riggs National Bank, hereby solemnly and severally pledge ourselves to give special attention in the future to the manner in which the officers of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future shall be conducted in strict compliance with the national bank act and all the laws of the United States and in conformity with the lawful rules, regulations, and requirements of the Office of the Comptroller of the Currency, and to take all such actions as shall be necessary to secure that end.

The charter of the Riggs National Bank expires by limitation on the 26th of June, 1916. The stockholders of said bank, including the undersigned directors, have made application according to law to the Comptroller of the Currency for an extension of its charter for a further period of 20 years.

Because of the controversies and issues which gave rise to the litigation in the equity suit above referred to, and in order to remove any doubt of the comptroller as to the future conduct and management of the said Riggs National Bank, we hereby give him this express and written assurance, in the hope that his doubts may be allayed, and that the said application for an extension of the charter of the bank for the future period of 20 years will be granted.

Respectfully,

Charles I. Corby, Thos. Hyde, Milton E. Alles, James M. Johnston,
L. Kemp Duval, L. E. Jeffries, E. V. Murphy, Robert C. Wilkins,
Wm. J. Flather, Joseph Paul, Chas. C. Glover, jr., Chas. C.
Glover, H. Rozler Dulany, Sterling Ruffin.

These questions being satisfactorily disposed of, there is but one other to be considered, and that is the solvency and financial condition of the bank.

A special examination, as required by the national bank act, has been made since the filing of the application for the extension of the charter, and the report of the examiners as to the financial condition of the bank is found to be satisfactory.

Mr. Chairman, may I ask whether Mr. McFadden will appear before the committee?

The CHAIRMAN. I can not answer that question. All I can say is that he has been notified that we expect to close the hearings for the present to-day.

Mr. WILLIAMS. He has made serious charges which I thought he ought to be willing to attempt to corroborate, or to withdraw.

The CHAIRMAN. You have the right to express your opinion.

Senator WALSH. What is that, Mr. Chairman?

The CHAIRMAN. I say, I think Mr. Williams has the right to express his opinion.

Senator WALSH. Some one made charges and has not appeared before the committee?

The CHAIRMAN. Mr. McFadden made charges in the public prints.

Senator WALSH. Of course the committee will not consider any charges made by persons who have not appeared before us, will it, Mr. Chairman?

The CHAIRMAN. I do not think it is necessary to discuss that question. Mr. McFadden is a Member of Congress. He has made certain statements which have appeared in the newspapers.

Senator WALSH. He has not made them here in this room?

The CHAIRMAN. Mr. Williams has answered those statements.

Senator WALSH. He has made no statement in this room?

The CHAIRMAN. Mr. McFadden has been invited to the hearings of the committee, but has not made any statement.

Senator WALSH. There ought not to be any doubt, Mr. Chairman, of the fact that this committee does not intend to consider charges made in the House or upon the street or in newspaper offices unless the persons appear here in person.

The CHAIRMAN. Oh, certainly; there is no doubt about that.

Senator WALSH. So he will not need to answer any of those charges.

The CHAIRMAN. Notwithstanding that fact, Mr. Williams has answered those charges.

Senator WALSH. But the point I want to assure him of is that we will not consider any charges made elsewhere than in this room.

The CHAIRMAN. You are entirely right about that. It is not necessary to discuss it. This point has been brought up several times before. I think it is pretty generally understood. It is hardly necessary to revive it now.

Mr. WILLIAMS. I thought it necessary to make some reference while Senator Penrose was present, as he was about to leave, in view of the fact that Mr. McFadden, when he was called upon by the chairman to come to the hearing, asked to be excused and said he desired to come some other time. I have several times requested the chairman to summon Mr. McFadden to come and make any charges or complaints that he desires to make or was prepared to make, and before the committee adjourned I wanted to have it understood how that matter stood.

Senator WALSH. You have done your part to bring him forward. I do not think you need to explain.

Mr. WILLIAMS (continuing reading from Comptroller's decision):

In view, therefore, of the solemn pledge given by the directors of the bank that they will give special attention in the future to the manner in which the officers and employees of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future shall be conducted in strict compliance with the national bank act and all the laws of the United States, and in conformity with the lawful rules, regulations, and requirements of the office of the Comptroller of the Currency, and to take all such action as shall be necessary to secure that end, and in view of the fact that the bank is solvent, and when properly conducted will serve a useful purpose in the community, and that a refusal to approve your application for an amendment to your charter extending your period of succession might work injustice to innocent stockholders, many of whom may have no potential influence or voice in the selection of the directors of the bank or its officers since they may be in a minority, I have concluded to issue a certificate of approval of your application for an extension of your charter, with the expectation that the officers and directors of the Riggs National Bank, profiting by the experience of the past and the decision of the court in the litigation to which I have referred, will scrupulously conform to the provisions

of the national bank act and the rules, regulations, and requirements of the comptroller's office in the future. By doing this and confining itself to the legitimate business of banking the Riggs National Bank can serve this community usefully and honorably. So long as it does this it will have the support and approval of the duly constituted authorities of the Government.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

Gentlemen, as I pointed out to you in the previous hearing, the benefits which the bank has derived and is deriving from its compliance with the law and from the stoppage of those dangerous, irregular, and unlawful operations and methods which have been so long prevalent, have become increasingly apparent.

I call your attention to the fact that the total deposits of the Riggs National Bank on June 9, 1904, 10 years before this controversy began, were \$8,726,000. In June, 1914, at the beginning of this controversy, its deposits were only \$9,978,000. It had increased in 10 years but little more than 10 per cent during those 10 years and while the energies and activities of the principal officers were being directed toward their real estate and stock market operations.

In the past five years, since the Comptroller of the Currency began this investigation and required these irregular and unlawful practices to cease, the deposits have grown from \$9,978,000, as stated, on June 30, 1914, to \$23,487,000 on June 30, 1919. In other words, they have more than doubled in five years.

I do not ascribe that great increase entirely to the cause that I have suggested, but I do think that it was a potential factor in increasing public confidence in the bank and in aiding and assisting in its prosperity.

I also call attention to the fact that the total resources of the bank on June 9, 1904, were \$12,699,000; that after 10 years of operations, on June 30, 1914, the resources were only \$15,066,000; an increase of about 20 per cent in 10 years. But in the past five years, following the purification of the bank and the cutting out and doing away with the irregular and unlawful practices which had possessed it for so many years, during these past five years that the officers have been able to give their more undivided attention to the bank's interest as a bank, the resources have increased from \$15,066,000 in June, 1914, at the time of this controversy, to more than \$28,000,000 in June, 1919.

The CHAIRMAN. That is rather an exceptional record; or does it compare with the increases in other national banks?

Mr. WILLIAMS. I should be very glad to have the national banks of the whole country compared for that same period.

The CHAIRMAN. Oh, no; if you do not know, Mr. Williams, I do not want you to go to that trouble, I did not know but what you might give us an idea.

Mr. WILLIAMS. I think that the change has been more marked than with the banks generally as compared with the 10-year period. 1904 to 1914, and the five-year period, 1914 to 1919.

Senator WALSH. Of course, the last five years have been exceptional in the banking business.

Mr. WILLIAMS. Yes; for the whole country. But the point is that if it had not been for the fact that the bank had been practically stationary during those previous 10 years when the other banks had

been growing—other banks whose officers had been devoting themselves to the functions of banking—the figures would not have been so significant. But the comparison is principally with the period of comparative stagnation or slow growth during 1904 to 1914, while the bank was conducting its business in this irregular way, and the growth which has taken place since these objectionable practices and unlawful operations were done away with.

Mr. Chairman, there is one point that I would like to refer to before I sit down.

Mr. Untermeyer in his testimony yesterday gave me credit for the rule requiring national banks to pay interest on Government deposits. I want to say that Secretary McAdoo, the Secretary of the Treasury, is entitled to that credit.

I also wish to call your attention to the fact that the digest of the decision of the Supreme Court of the District, which has been referred to several times in these hearings and which was referred to as having been prepared by me or my office, was not prepared by me. I had nothing whatever to do with it. It was a digest prepared by the Department of Justice of the decision which had just been rendered by the Supreme Court of the District.

I wish to read into the record, Mr. Chairman—I will not detain you with it, but if you will permit me to have the letter introduced I would like to introduce the letter from the Comptroller of the Currency to C. C. Glover, president of the Riggs National Bank, dated January 12, 1915, found on pages 111, 112, and 113 of volume 2 of the correspondence.

The CHAIRMAN. That may be done.

(The letter referred to is as follows:)

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, January 12, 1915.

Mr. C. C. GLOVER,

*President the Riggs National Bank,
Washington, D. C.*

SIR: The national-bank examiner has brought to my attention the stenographic report of his continued examination, under oath, on yesterday, of yourself and certain other officers of the Riggs National Bank.

Early in yesterday's examination the bank examiner made this statement, as shown in the stenographic report:

"I understand, for instance, in the case of Mr. Ailes and Mr. Glover, that they both have been put under oath in the course of this examination, and any remarks they make are under the same examination, under the same oath."

The examination was then continued with this understanding.

During the examination officers of your bank were examined as to the commission business which the bank or its officers had been conducting in one way or another since the organization of the bank in July, 1896.

I do not care at this time to go into other developments of this examination; they can be dealt with later. But the statement which you made in closing is so extraordinary and so untrue that I desire to give you the opportunity at once of attempting to explain it. The stenographic report shows this closing statement of yours—under oath—to have been as follows:

"This commission business could have been stopped eighteen and a half years ago, but we never had from any examiner, or Secretary of the Treasury, or Assistant Secretary, or any comptroller, or deputy comptroller, a request to this bank to stop any part of the business that we have been transacting."

That statement is squarely contradicted by facts, and is absolutely untrue; and evidence in the possession of this office shows that you must have known that it was untrue.

The period which you speak of—eighteen and one-half years—goes back to July, 1896, the time at which the business of the Riggs National Bank was

begun. Your statement is that the commission business could have been stopped eighteen and a half years ago, at the very time that it was begun, but you then proceed to give, apparently as a reason why the business was not stopped, this statement:

"But we never"—this expression "never" necessarily covers the 18-year period—"had from any examiner, or Secretary of the Treasury, or Assistant Secretary, or any comptroller, or deputy comptroller, a request to this bank to stop any part of the business that we have been transacting."

You have been transacting, among other things, the business of purchasing and selling stocks, bonds, etc., on commission. You had also been collecting, as the books of the bank show, commissions on real estate loans negotiated.

Now as to whether you were ever requested to stop "any part of the business" that you had been transacting:

As far back as October 22, 1904—10 years and 2 months ago—the Deputy and Acting Comptroller of the Currency, Mr. T. P. Kane, wrote you and said:

"As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank, which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission."

That was a clear and unmistakable warning to you that the business should be stopped, and is a convincing disproof of your statement.

But this is not all. Six months prior, on April 29, 1904, the Comptroller of the Currency had written to "C. C. Glover, president of the Riggs National Bank," a letter in which he said in unmistakable terms:

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised, it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

Here is another notification that the business was unlawful, and direct instructions to discontinue it.

This statement also shows that you had been previously warned, and that you had disregarded the warnings.

You can not claim that you were ignorant of the instructions which were given to you on October 22, 1904, for this office holds an acknowledgment, over your own signature, of the receipt of the instructions.

Nor can you claim that the instructions and warning contained in the comptroller's letter of April 29, 1904, failed to reach you, for this office likewise holds an acknowledgment, over your own signature, of the receipt of that letter also.

Further evidence of the falsity of your closing statement at yesterday's examination could be furnished if desirable, but the letters quoted above are conclusive, and will suffice. Why you should have attempted to spread upon the record a statement so glaringly untrue and misleading, I find it hard to comprehend.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

Mr. WILLIAMS. I should also like to introduce a letter from President C. C. Glover, of the Riggs National Bank, addressed to the Comptroller of the Currency, dated January 14, 1915, found on pages 114, 115, and 116.

(The letter referred to is here printed in full, as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 14, 1915.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have received your letter of the 12th instant; and although its language is such as no Comptroller of the Currency ought to employ toward an officer of any bank under his jurisdiction, I am answering it nevertheless, because I desire this refutation of your charge made a part of the files of your office.

The statement which you excerpt from the stenographic report of the examiner's hearing was not a part of the examination and was made after the same had been concluded, but it is substantially correct, and when read in

connection with all of the testimony taken by the examiner, can not be successfully contradicted.

It is entirely true that a Comptroller of the Currency and a Deputy Comptroller of the Currency, prior to 1905, understanding from the examiner's reports that the Riggs National Bank had itself engaged in the business of buying and selling stocks and bonds on commission, criticized that practice and ordered that it should be discontinued. It is likewise true, however, that when it was afterwards fully explained that the bank did not itself purchase or sell stocks or bonds on commission, and that all such purchases or sales were conducted by the officers of the bank as individuals, though the profits thus earned by these individuals were, for reasons which they deemed sufficient, given to the bank, the explanation was accepted as satisfactory, and not since October 24, 1904, has this bank received any word of criticism on that account until it was called in question by you during the past year.

You say that your office holds an acknowledgment over my signature of the receipt of a letter written by the deputy comptroller to this bank on October 22, 1904, advising that the purchase or sale of stocks and bonds on commissions was ultra vires, and you describe that letter as "a clear and unmistakable warning" that "the business should be stopped." I had not overlooked the letter of the Deputy Comptroller of the Currency to which you thus refer, nor the answer which I made to it. My letter of October 24, in reply to the deputy comptroller's letter of October 22, was incorporated into the examiner's stenographic record while I was on the witness stand, and plainly, therefore, I can not be fairly understood as meaning to say that there had never been any warning from the comptroller's office on account of that business.

If, however, you will examine my letter of October 24, which you characterize as an acknowledgment, you will find that it is more than an acknowledgment. It was an answer to his criticism on this very point, and an explanation of the fact that the officers of the bank, as individuals, and not the bank itself, purchased and sold stocks and bonds on commission. The complaints of the comptroller's office were based on a misapprehension, and when that misapprehension was removed by a full explanation that the business thus criticized was not conducted by the bank, but by the officers as individuals, no request was made that the business as thus conducted by the officers as individuals should be stopped.

Respectfully,

CHAS. C. GLOVER, *President.*

Mr. WILLIAMS. I should like to have the committee compare the statements made by President Glover in that letter of January 14, 1915, with the statements which Mr. Glover and the Messrs. Flather made to National Bank Examiner Trimble, as set forth in National Bank Examiner Trimble's letter to the comptroller dated May 28, 1914.

The CHAIRMAN. Any other matter that you desire to have put into the record, Mr. Williams, may be so put in this afternoon. There may something come up.

Senator WALSH. You can write to the chairman.

The CHAIRMAN. If it does not happen to be in your mind now.

Mr. WILLIAMS. Very good.

Mr. Chairman, before we adjourn may I inquire whether there are at this time any charges or complaints in regard to the Comptroller of the Currency or the administration of his office before you which have not been replied to by me?

The CHAIRMAN. I know of nothing other than what has been brought into these hearings.

Mr. WILLIAMS. Mr. Chairman and gentlemen, with your permission I will stop at this time. I think it is already agreed that we can introduce the correspondence with the Riggs Bank prior to my incumbency of the office of the Comptroller of the Currency, and their replies, and with your permission I would suggest that I be authorized to do this: That instead of listing the names of the borrowers

of those excessive loans, of which there were many—the letters, of course, give the names of the borrowers—it might be a consideration to the borrowers or to the bank to number those letters, say, 1, 2, and 3, down, beginning with the first excessive loan, and then where a particular loan has continued for a period of years to number the second time it has been called attention to “1-4” or “1-5,” “1-6,” or “2” or “3”—something to identify them in that way.

The CHAIRMAN. That is a good suggestion, Mr. Williams.

(By direction of the chairman certain letters and articles are here printed in full, as follows:)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, July 29, 1919.

Hon. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: At to-day's hearings before your committee I directed your attention to the fact that in the 10 years' period preceding the beginning of my investigation (begun May, 1914) of the Riggs National Bank, its condition, methods, and practices, the bank, despite the unusual favors which it had received from the Government, had shown but little or no growth in the matter of deposits and resources, whereas in the past five years, from June, 1914, to June, 1919, following its discontinuance of the irregular, unlawful, and dangerous practices previously in vogue, it has shown a conspicuous and healthy growth.

I stated to your committee that in my judgment the bank's slow growth prior to 1914 was due largely to the fact that the energies and activities of the bank's officers, President Glover and Vice Presidents Alles and Flather and Cashier H. H. Flather, and of other officers and employees, were being devoted to their brokerage and speculative activities and interests, while the banking features of the institution had been neglected or sacrificed.

I also suggested that the bank's growth for the past five years was due in large part to the fact that the bank had ceased its irregular and unlawful practices and that the time and energies of its officers were being more properly devoted to the real interests of the bank.

You asked me whether it was not true that all the banks of the United States have also shown a very much greater growth during the past 5 years than in the preceding 10 years. I promised to give you the actual figures on this point, which I now have the pleasure of submitting herewith.

The records show that during the period from June, 1904, to June, 1914, the resources of all the national banks of the United States increased from \$6,655,989,000 to \$11,482,192,000, or 72.51 per cent.

In the same period the resources of the Riggs National Bank only increased from \$12,699,000 to \$15,066,000, an increase of only 18.64 per cent.

The Riggs National Bank was required in the summer of 1914 to cease those irregular and unlawful operations and its officers were required to devote their time to the legitimate operations of national banks.

In the period from June 30, 1914, to May 12, 1919, the resources of all the national banks of the United States increased from \$11,482,191,000 to \$20,824,991,000, or 81.37 per cent.

In the same period the resources of the Riggs National Bank, under improved conditions of management with its unlawful operations abated, increased from \$15,067,000 to \$27,616,000—an increase of 83.29 per cent.

In other words, during the 10 years from 1904 to 1914, while the bank was operating in violation of law and in disregard of the requirements of the comptroller's office, the percentage of increase shown by the Riggs National Bank was only about one-fourth of the increase shown by all the national banks of the United States for the same period.

For the 5-year period from June, 1914, to May, 1919, the percentage of increase in resources shown by the Riggs National Bank was 83.29 per cent, as compared with an increase of 81.37 per cent for all national banks for the same period.

Is not this comparison a rather decisive refutation of the unfair and malicious charge made by Mr. Hogan that the efforts of the comptroller's office were calculated or intended to injure or ruin the bank?

If the unlawful and pernicious practices which were in vogue prior to the outbreak of the European war had not been arrested and controlled it is easy to imagine what the evil consequences might have been to this bank in the trying period which followed.

During the hearings, Mr. Chairman, you also raised the question as to whether the State banks of the country were not making quite as favorable a showing as the national banks. In reply to your query, I take the liberty of quoting from pages 11 and 12, volume I, of the report of the Comptroller of the Currency for 1918:

"The following statement shows the growth in resources of all State banks, savings banks, private banks, and loan and trust companies as of June, 1913, as compared with June, 1918, together with a further comparison of national banks at the time of the June, 1913, call and the call of June 29, 1918:

	June, 1913.	June, 1918.	Increase.	Per cent.
State banks, savings banks, trust companies, etc.....	\$14,675,243,842	\$22,371,496,514	\$7,696,252,672	52.4
National banks.....	11,036,000,000	17,839,502,000	6,803,502,000	61.6

"On June 4, 1913, the resources of the national banks were \$11,036,000,000; on November 1, 1918, their resources were \$19,821,000,000, an increase in less than five and one-half years of \$8,785,000,000, or 79.6 per cent.

"The increase in the resources of the State banks, savings banks, trust companies, etc., for the five-year period between June, 1913 and 1918, as shown above, was 52.4 per cent, the increase in the resources of national banks from June, 1913, to June, 1918, amounted to 61.6 per cent.

"These figures show that the growth of the banks under national supervision, during the past five years, has been distinctly greater than the increase shown by the State banking institutions.

"In the five years 1914 to 1918, both inclusive, the records show 314 failures of State banks, savings banks, private banks, and loan and trust companies. There were 56 national bank failures during the same period. For the 12 months' period ending October 31, 1918, failures among the State banking institutions were 32 in 17 States. During the same period there were only two national bank failures, in two States."

I also take the liberty of quoting the following statement from page 4 of the same report of the comptroller:

"The resources of the national banks now exceed by more than a billion dollars the combined resources of all the State banks, savings banks, private banks, and trust companies of the country as late as June, 1916, and are within one billion dollars of the combined resources of all other banks and trust companies, as shown by their reports of June, 1917.

"The resources of the national banks of the United States at this time exceed the aggregate resources of the national banks of issue of England, the Dominion of Canada, France, Italy, the Netherlands, Norway, Sweden, Denmark, Japan, and Germany, all combined, as shown by their latest available reports."

At yesterday's hearing before your committee concerning my confirmation as comptroller, I called the attention of your committee to an occasion in the early part of 1908 when certain profits which the Riggs National Bank had made in certain United States Government bond operations on joint account transactions with the National City Bank of New York, amounting to \$56,918, had been credited upon the books of the bank to certain officers of the bank—Messrs. Glover and Flather; although some weeks subsequently the amount was charged to these officers and credited to profit and loss.

In connection with that transaction you raised the question as to whether those credits were made before or after the bank had increased its capital. I told you that the increase in the bank's capital had taken place five years before, and that I would advise you further as to the number of the bank's stockholders at the time of the transaction.

The records show that at the time the \$56,918 was credited to the Glover and Flather account the bank was owned by about 120 different stockholders, about 100 of whom were holders of the bank's stock for \$10,000 or less, and about 15 owned over 100 shares each; so that the entry could not be justified on the theory that the officers to whose credit the bank's profit was originally

passed (although subsequently transferred to profit and loss) were virtually the owners of the bank. As a matter of fact, it appears from the records that Mr. Glover and the Messrs. Flather at that time owned less than 6 per cent of the capital stock of the bank.

I also beg leave to report that as late as July, 1901, the members of the firm of Glover, Hyde, Johnson & Flather (composed of the bank's officers) owned, all combined, only about four-tenths of the capital stock of the Riggs National Bank; although from 1897 until May, 1902, that firm was using the funds, credit, and facilities of the Riggs Bank in its brokerage operations, and divided up among themselves in that period over \$45,000 of profits from its brokerage and real estate business. There was in 1901 about 40 other stockholders in the bank whose holdings represented a large majority of the bank's capital stock, who, it appears, derived no pecuniary benefits from those brokerage operations for which the bank's capital, credit, and facilities were being used.

At the hearings before your committee on July 24, 1919, I stated to your committee that, despite Mr. Hogan's positive denial that the Riggs National Bank had in past years enjoyed special favors from the Treasury Department, the indisputable records of the office prove that his denial was wholly untrue and that in many ways the Riggs National Bank had been favored and to a very remarkable degree.

I also stated that there had not only been discrimination in favor of the Riggs National Bank in the matter of Government deposits, but that the bank had enjoyed special favors in the matter of obtaining information and data from the various bureaus of the Treasury, and I referred to an incident in connection with my examinations of the bank where it had been discovered that a copy of a certain confidential document, intended only for national bank examiners, had passed into the possession of the Riggs Bank. I stated that if you desire I would be pleased to furnish you further information in regard to that incident. You requested that I do so. I now have the pleasure of handing you a copy of a letter which, as Comptroller of the Currency, I addressed, on October 9, 1915, to Vice President Ailes, of the Riggs National Bank, which was as follows:

TREASURY DEPARTMENT,
Washington, D. C., October 9, 1915.

Mr. M. E. AILES,
Vice President Riggs National Bank,
Washington, D. C.

SIR: The records show that some time ago, as vice president of the Riggs National Bank, you wrote a letter to an officer of the National City Bank of New York, of which bank you were also an employee, in which you said:

"I am sending you herewith a copy of the comptroller's pamphlet, *Defalcations and Methods of Concealment*."

That pamphlet was a confidential communication issued by the Office of the Comptroller of the Currency for the instruction of national-bank examiners only. There was printed across the face of the pamphlet a statement which recited that:

"(This is a confidential publication which has been compiled for the use of bank examiners and is to be returned to the Comptroller of the Currency by the recipient when the service of the examiner is terminated.)"

There can therefore be no question but that you knew that this was a confidential document, published with the intention that it should not go out of the possession of the comptroller's office or its examiners.

You are requested to inform this office immediately how, when, and through whom you obtained this document, the property of this office.

In the letter in which you conveyed this pamphlet to an officer of the National City Bank of New York you said:

"The instructions to examiners are of a very confidential character and I was unable to obtain them to-day. I think perhaps it may be possible to do so another time, however, and I will make an effort early next week to get hold of a set for you."

You are requested to inform this office at once whether the set of "Instructions to examiners," which you admit that you clearly knew were "of a very confidential character," was obtained eventually by, for, or through you and transmitted to the National City Bank or to any of its officers.

If you succeeded in getting possession of the documents referred to, you are requested to inform this office promptly how, when, and through whom these

confidential papers of the comptroller's office were secured by or for you, and to return them at once to the Office of the Comptroller of the Currency.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

I do not find Mr. Alles's reply to the foregoing letter in the files. My recollection is that the explanation he offered was that the confidential document referred to had been given to him by one of my predecessors in office.

At the hearing before your committee on July 24, 1919, in answer to statements made by Mr. Poole and Mr. Hogan, to the effect that unfair discrimination had been exercised against the Federal National Bank in the matter of Government deposits, I submitted to your committee a table showing the total amount of Government deposits in each of the 14 national banks of the District of Columbia at the time of each of the three calls made since January 1, 1919, which showed there had not only been no discrimination against the Federal National Bank, but the bank had as a matter of fact received a very much larger share of Government deposits in proportion to its total resources than the average bank in the District.

You asked whether the period covered by that table did not relate to Secretary Glass's administration as Secretary of the Treasury, and intimated that if I should have gone back prior to January 1, 1919, the results might have been different. I promptly told you that I should be pleased to give you figures for a prior period if you desired them, and I now have the honor to present to you the attached table showing as of the dates of all calls made in the year 1918: The total Government deposits with all the national banks of the District of Columbia, and the resources of all the national banks of the district on the same dates as reported by these banks under oath, showing the proportion of United States deposits to total resources for all the national banks.

Those figures are followed by a table showing the total United States deposits held at the time of each call for reports of condition by the Federal National Bank, together with the total resources of the Federal National Bank at the time of each call, and showing the proportion of United States deposits to the total resources on each date. (See Table A, attached hereto.)

These figures show you that throughout the year 1918 the proportion of Government deposits to the total resources held by the Federal National Bank averaged 8.34 per cent, whereas the proportion of Government deposits to total resources for all of the national banks for the same period, including the Federal, averaged only 5.07 per cent. In other words the proportion of Government deposits to total resources held by the Federal for the period under discussion was 66 per cent greater than the average of all other national banks of the district.

Although the total resources of the Federal National Bank for 1918 averaged only 6.67 per cent of the total resources of all the national banks in the District, the records show that its average Government deposits carried, as shown by the banks' own statements to this office during the year, averaged 11.59 per cent of the total Government deposits in the District.

On page 226 of the present hearings I find the following questions addressed by you as chairman to me, and my replies:

"The CHAIRMAN. Did any of the banks with which Mr. L. J. Cooper was connected or Thomas E. Cooper, or any of the family, fail?

"Mr. WILLIAMS. I am coming to an illustration of that in a few minutes if you will kindly allow me to proceed in an orderly way.

"The CHAIRMAN. Just answer my question.

"Mr. WILLIAMS. I think that Mr. L. J. Cooper was an officer of this very State bank which failed. That is my impression. You can have it verified.

"The CHAIRMAN. You do not know whether any of the institutions with which the Coopers were connected failed or not?

"Mr. WILLIAMS. Yes; I do know that a number of the banks were closed out.

"The CHAIRMAN. In which they were officers?

"Mr. WILLIAMS. In which they were officers or guiding and directing spirits. I have not them ready at hand, but I can get a tabulated statement of the official connection of the Cooper family with failed banks, and if you would like me to do so I can present you with such a schedule."

In response to your inquiry, I now beg leave to submit the following memorandum, furnished me by National Bank Examiner Borden, of the sixth Federal reserve district, giving what I understand to be a partial or incomplete list of bank wreckages which mark the path of the men as to whose operations you inquire—brothers and kinsmen of Wade H. Cooper, with divers of whose operations they have been intimately connected. All of Wade H. Cooper's numerous, untrue, and malicious charges before your committee I have heretofore denounced and disproved.

This list embraces five of their defunct banks in the States of Georgia and Florida only, and does not include several other badly damaged banks which have suffered from their operations, but which are still doing business although in a maimed and crippled condition.

Partial list of banks, all of which are now defunct, which were promoted and officered by the Cooper clique:

Waycross Savings & Trust Co., Waycross, Ga.; L. J. Cooper, president. Placed into hands of receiver.

Bank of Floral City, Fla.; L. J. Cooper and L. B. Jenrette (first cousins) were at different times president. Closed.

State Bank of Waycross; L. J. Cooper, president. Closed.

Bank of Statenville, Ga.; L. J. Cooper, president, recently indicted for the fraudulent insolvency of this bank.

Exchange Bank of Waycross; L. P. Jenrette, president. Closed.

The insolvency of three of the foregoing banks were referred to by N. P. Jenrette in his affidavit, pages 223, 224, and 226 of the present hearings, where Jenrette charged that Thomas E. Cooper and L. J. Cooper, to protect themselves and other members of their family, had "used him as a scapegoat to save the reputation of the said Coopers"; also charging that they forced him to sign about \$100,000 of notes, no portion of the proceeds of which he says went to him, and that the said Thomas E. Cooper and L. J. Cooper had agreed to hold him harmless as to any liability, etc. On learning that a copy of that affidavit had been furnished the Comptroller of the Currency, the Coopers induced Jenrette to send to this office post haste, special delivery, a communication withdrawing certain charges as to T. E. Cooper, which he had just made under oath.

In my statement before your committee on the 25th instant, in connection with the activities of the newspaper man, George G. Hill (p. 578, printed hearings), I referred incidentally to the secret propaganda being conducted against me, apparently originating in Washington, but with various ramifications. In support of my assertion I now respectfully submit three editorial articles from obscure newspapers in three States, all identically alike and evidently prepared and sent out by the same journalistic genius. Their contents, as you will observe, are of such coarsely vulgar character that I would not ask any man to read them except as evidence.

Obviously somebody is spending money in hiring cheap and obscure hangers-on of journalism to assail me. This seems to be a revival of the ancient practice of employing professional assassins to wreak private vengeance, only lacking the personal perils and elements of tragedy which gave that system at least a suggestion of dignity. I will not ask you to cumber the records with these editorials, but present them for the inspection of your committee.

I respectfully ask that this entire letter be printed in the record of these hearings.

Respectfully,

JNO. SKELTON WILLIAMS.

TABLE A.—*Total Government deposits with all the national banks of the District of Columbia and the resources of all the national banks of the District on the same dates, as reported by these banks under oath, showing the proportion of United States deposits to total resources for all the national banks.*

Date of call.	Total all United States deposits (including postal savings.)	Total resources.	Ratio of United States deposits to resources.
14 Washington national banks:			
Mar. 4, 1918.....	\$3,477,417.00	\$105,838,714.65	3.29
May 10, 1918.....	5,923,303.40	101,248,996.60	5.85
June 29, 1918.....	8,027,079.38	97,460,737.06	8.24
Aug. 31, 1918.....	6,329,557.70	101,556,098.48	6.23
Nov. 1, 1918.....	5,387,413.13	105,034,500.95	5.13
Dec. 31, 1918.....	2,077,745.77	110,348,942.59	1.88
Total (6 calls).....	31,222,516.43	621,487,990.33	5.02
Federal National Bank:			
Mar. 4, 1918.....	507,453.91	7,333,064.93	6.92
May 10, 1918.....	460,934.58	6,000,080.54	7.68
June 29, 1918.....	927,416.63	6,811,034.39	3.62
Aug. 31, 1918.....	758,013.23	6,155,307.41	12.32
Nov. 1, 1918.....	378,296.15	6,330,430.97	5.98
Dec. 31, 1918.....	211,231.16	6,243,249.51	3.38
Total (6 calls).....	3,243,345.66	39,873,167.75	8.34

Per cent of total deposits, Federal, to total 13 other banks..... 11.59
 Per cent of total resources, Federal (6 calls), to total 13 other banks..... 6.67

[Kankakee, Ill., Republican, July 10, 1919.]

SKIDOO FOR SKELETON.

Senator William Calder, of New York, has introduced a bill to abolish the Office of Comptroller of the Currency and transfer the duties of that office to the Federal Reserve Board. It is a measure which ought to pass. The comptroller of this day is about as useful as the little toe on a man's foot, while the man who for the past few years has held that office, and who is now before the Senate for confirmation to succeed himself, is like the corn on that little toe. Incidentally when the duties are transferred under Senator Calder's bill, the proposed comptroller, John Skelton Williams, should be transferred to his acres in Virginia, where the wicked cease from troubling and the weary are at rest. It will be a blessed relief to everybody.

[Ogdensburg, N. Y., Journal, July 12, 1919.]

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[Nashua, N. H., Telegraph, July 10, 1919.]

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Mr. WILLIAMS. Thank you, gentlemen.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned subject to the call of the chairman.)

NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



BEFORE THE

COMMITTEE ON BANKING AND CURRENCY,
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 11

Printed for the use of the Committee on Banking and Currency



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

COMMITTEE ON BANKING AND CURRENCY.

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ROBERT L. OWEN, Oklahoma.

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GILBERT M. HITCHCOCK, Nebraska.

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BOIES PENROSE, Pennsylvania.

JOHN B. KENDRICK, Wyoming.

WILLIAM M. CALDER, New York.

CHARLES B. HENDERSON, Nevada.

TRUMAN H. NEWBERRY, Michigan.

DAVID I. WALSH, Massachusetts.

HENRY W. KEYES, New Hampshire.

W. H. SAULT, Clerk.

II

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1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

TUESDAY, SEPTEMBER 2, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met pursuant to adjournment at 10.05 o'clock a. m., in Room 301, Senate Office Building, Senator George P. McLean presiding.

Present: Senator McLean (chairman) and Senator Newberry.

Present also: Hon. John Skelton Williams, comptroller of the currency; Mr. Frank P. Hogan, Congressman McFadden, and others.

The CHAIRMAN. The committee will be in order. Mr. Hogan, you may proceed.

STATEMENT OF MR. FRANK P. HOGAN.

MR. HOGAN. Mr. Chairman, since the parts of the hearings before this committee have been printed, on the nomination of John Skelton Williams for the office of Comptroller of the Currency, which hearings commenced Monday, June 30, 1919, there having previously been printed the hearing on the same subject in February, 1919, I say, since the 10 parts have been printed, I have carefully read every word therein contained, particularly the testimony, if such it be, given by Mr. Williams; and I addressed to you while I was out of the city two letters in which I requested that certain documents be laid before this committee, in which there will be found not only refutation of, but mathematical demonstration of, the culpable falsity of many of the important allegations put into this record by Mr. Williams.

I now ask in open hearing that before I proceed to rebut the matter with which Mr. Williams has seen fit to defile the Senate record, that he be called upon to produce the matters I asked in those letters addressed to you, as follows:

First, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the national bank examiners, as commanded by law. By reference, Mr. Chairman, to part 8, page 605, of the hearings before this committee, it will be noted that in an attempted response to my charge that a plain provision of the national bank act, as amended by the act of 1913, had been repeatedly and flagrantly violated by John Skelton Williams during his tenure as Comptroller of the Currency, in the years 1914, 1915, and 1916, he produced before this committee a table showing the dates on which the national banks of the District

pt. 11

of Columbia were examined in the year 1913, when the law did not mandatorially require two examinations, and in the years 1914 and 1915, but he has suppressed the record of the year 1916, with respect to which I had testified. The year 1913 was entirely irrelevant to anything I had said before this committee. The year 1915 was entirely relevant, and will be entirely enlightening, so that before I present to the committee my rebuttal with respect to that violation of law by the comptroller, I ask that he be required to bring the record for the year 1916.

And with that record the reports of the national-bank examiners as to each and every national bank in the District of Columbia made to him in the year 1916. I am compelled to ask those records be made so that they will verify the record, because, as I will demonstrate to this committee beyond peradventure of doubt, or possibility of cavil, when Mr. Williams brings in a statement alleged to be based upon the record, the statement is in 99 per cent of the instances entirely false, so that in order to controvert the falsification by a man who is habitually inclined to falsify, I request that there be brought here before this committee for my use the national-bank examiners reports themselves.

The CHAIRMAN. Mr. Hogan, omit as far as you can your deductions, you know, your conclusions, because I realize that you may be strongly tempted to do that sort of a thing, but we want to get right down to the facts.

Mr. HOGAN. Precisely, Mr. Chairman; that was what I was going to start with when I began to testify. You can not help but have noticed—any member of this committee, regardless of his views on this case, must have noticed—that Mr. Williams used these hearings and this record, and the communications with which he supplemented the record, as a sewer for his unrestrained and unrestricted vilification of every citizen who came before this committee.

The CHAIRMAN. Well, you let the committee draw its conclusions.

Mr. HOGAN. And then at the conclusion, you will remember, Mr. Chairman, he pleaded, in effect, that you and the committee protect him from the comments of those that he had vilified. Now, I take it for granted, Mr. Chairman, that as he has seen fit even to slander and defame the dead, that it will not be said to a citizen who has been the subject of that slander he will not be allowed to reply emphatically to what has been said.

The CHAIRMAN. I think what the committee wants are the facts. That is, we want these records to controvert certain statements of Mr. Williams at the preceding hearings, and that, of course, you are entitled to have.

Mr. HOGAN. But, of course, Mr. Chairman, having permitted—and I notice with a patience that I marvel at—

The CHAIRMAN (interrupting). Yes; I know that Mr. Williams did, ad lib.

Mr. HOGAN. Ad lib, and ad inf!

The CHAIRMAN. But a rather hoped you would not follow his example.

Mr. HOGAN. I will not follow his example, Mr. Chairman; but as a citizen of this country, on matters which attack my personal honor as he has been fit to do, I say here fairly that unless the com-

mittee absolutely stops me I shall reply to it in a way that no member of the Senate and no citizen of the United States will ever misunderstand.

Second, from the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors, and employees of every national bank in the city of Washington, first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national-bank examiner preceding July 1, 1914. It is respectfully suggested that the comptroller be required to present to the committee the originals of the reports of conditions, and the reports of the national-bank examiners, which contain this information. Of course, I do not suggest that there be incorporated in the printed record of these hearings those reports, for the obvious and exceedingly fair reason that they will contain data of a confidential character referring to persons, citizens of this country having no relations whatever to the controversies in which Mr. Williams has been involved.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his co-defendants in the Riggs Bank equity case. That diary, as I am informed, you will ascertain, if it is ever produced, was in part in the shape of a loose-leaf typewritten diary. I request that all of that diary be presented to this committee, so as to show just what Mr. Williams did with regard to the Riggs Bank, and just what, in his own words, he did with respect to its activities in regard to the prosecution of the Riggs Bank officers; that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington—Riggs, of course, excepted, as it has already been produced—criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Let it not be supposed that the production of that diary will encumber this record, because it is safe to tell you Senators that such communications will be found exceedingly few.

Next, I ask that there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national bank examiners for the District of Columbia had during that period, and on what work these assistants were engaged during that period, and the duration in each case.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by James Trimble, national bank examiner, showing how frequently he reported to the United States attorney for the District of Columbia, or visited the office of the United States attorney for the District of Columbia during the year 1915 prior to September 22 of that year, as to which

last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

Next, I ask that there be produced from the official records, lists showing the number of national bank examiners and the number of assistants to national bank examiners on duty in Washington during the years 1912 to 1918, inclusive, together with the names and titles.

Eighth, that there be produced a statement from the official records of the office of the comptroller, showing the total amount of loans to officers, directors, and employees of each national bank in Washington, Riggs excepted, as Riggs is already in the record, at the time examinations were made by the national bank examiners during the period from July 1, 1913, to December 31, 1916; and it is respectfully suggested that this statement be verified by the production of the original reports of the national bank examiners in the case of each bank examined during the period mentioned.

Again I call attention to the fact that this does not involve a difficult task, nor require many documents, in view of the comptroller's own showing as to the infrequency of national bank examiners in Washington during the period indicated. It will not require more than one paper for each bank for each of the two years.

Ninth, I request that the comptroller be required to produce here from the official records of the comptroller's office a copy of every letter sent by him during the years 1914 and 1915 to any of the banks and trust companies of the District of Columbia, calling for reports from their directors, on the subject of the number of shares of stock held by them unhypothecated during their directorship. This request may, of course, exclude Riggs National Bank, as such requests sent to the Riggs National Bank are already part of the record.

With those documents, some of which have been referred to, but not produced before your committee, Mr. Chairman, an intelligent showing with respect to the conduct of Mr. Williams' public office can be made in rather brief time.

The CHAIRMAN. Well, Mr. Williams, how much time do you think you will require to prepare these reports of statistics and reports?

Mr. WILLIAMS. Mr. Chairman and gentlemen, I should like to look over the list that has been presented by that witness. He realizes the hopelessness of his ever being able to substantiate any of the malicious complaints or charges—

The CHAIRMAN (interrupting). I suggested to Mr. Hogan, I wish both of you would, if possible, omit the deductions and the innuendoes. Let's confine ourselves to the facts, if possible.

Mr. WILLIAMS. I think, Mr. Chairman, that I have proven in the documents which I have already submitted to the committee the falsity of all those charges, and I refer the committee to them. It's my belief that if this witness were an Army officer and made such false testimony before any Army tribunal, he would be dismissed from the service, and for him to come forward now and try to crowd the record by asking for papers and documents which are wholly irrelevant, simply shows, in my judgment, the hopelessness of his undertaking and his admission of the despicable position in which he has placed himself.

As to furnishing those documents from the Treasury, I shall be glad to examine the list with some care and see what they involve, and confer with the Secretary of the Treasury as to the propriety of doing so. He has requested that they be laid before this committee. Among other things I note the loans to all officers and employees of all national banks in the District of Columbia, banks which have nothing to do with this case, which are not under criticism, and some of which have never been under criticism, as far as I know. As to the propriety of dragging those banks and their officers into this case, I fail to see what it has to do with it; but I shall be very glad to take the matter up with the Secretary of the Treasury, and with your committee, and determine together what it is proper that we should do.

The CHAIRMAN. You will probably want a few days for that, Mr. Williams. You will probably want more than one day.

Mr. WILLIAMS. I should say—I should not want any time for it, especially, but it might be well for me to look into it and see just exactly what it involves, and bring it before the Secretary of the Treasury. I do not know whether he is in the city or not. I should say, in that event, I might get in touch with him by day after to-morrow.

The CHAIRMAN. You may have all the time you want, Mr. Williams. Now, if you will just say how much time you want, I think the committee will grant it.

Mr. WILLIAMS. Well, I do not want any time, as far as I am concerned, but as I am not advised as to whether the Secretary of the Treasury is in the city to-day, I think it would be safer to give us until day after to-morrow in which to determine the question.

The CHAIRMAN. Thursday morning at 10 o'clock.

Mr. WILLIAMS. That will suit me.

The CHAIRMAN. The committee stands adjourned.

Mr. HOGAN. Just a moment. May I ask, before the committee stands adjourned—I refrain at this time, because you want me to, from replying to insinuations as to the dismissal of an officer from the Army, etc.

The CHAIRMAN. I understand.

Mr. HOGAN. Because I expect another official will soon be dismissed in disgrace from his own service, but I notice that subsequent to the conclusion of the testimony adduced by Mr. Williams on his behalf, there was written to the chairman of this committee, and included in the record, a communication by which Mr. Williams supplemented his former inadmalversions. Now, Mr. Chairman, I ask, has Mr. Williams sent to the chairman of this committee any communication that has not been printed in the record on this subject, and on the subject of myself and the officers of the Riggs Bank.

The CHAIRMAN. I don't think so, Mr. Hogan, but that letter you referred to, I have not had the time to read it.

Mr. HOGAN. The one in the record?

The CHAIRMAN. The one that was printed subsequent to the hearing.

Mr. HOGAN. I know, but Mr. Chairman, there was one letter that subsequent to the hearing was written by Mr. Williams to Hon.

George B. McLean, dated July 29, 1919, in which Mr. Williams said that taking advantage of the permission given him to supplement what he had been saying by anything he wanted to say in writing, he addressed this communication, and the record shows that by direction of the chairman, July 29, 1919, is inserted in the record. Now I ask, Mr. Chairman, before I go on, whether it is or not a fact that subsequent to this time Mr. Williams has had printed at a private printing house in the city of Washington what he calls a letter to the chairman of this committee, and transmitted it to him, and perhaps to other members of the committee. If so, I would like to be furnished with a copy of it officially, to the end that I may adequately and fully reply to it, and I promise both adequateness and completeness.

The CHAIRMAN. Well, Mr. Hogan, I have here Mr. Williams' letter to-day. I have here a letter from Mr. Williams to the Banking and Currency Committee, dated August 12, 1919.

Mr. HOGAN. Is that in printed form?

The CHAIRMAN. That is in printed form, and there is another communication which I received from the comptroller, and he tells me that which you have is practically a copy of this, but as this has not been submitted to the committee as a whole, but is addressed to me, I do not know whether it—do you want to look at that also?

Mr. HOGAN. No, sir; I do not. I would like to know whether I can have this pamphlet?

The CHAIRMAN. Yes.

Mr. HOGAN. Printed by Chas. H. Potter Co. (Inc.), Washington, D. C., and pretends to be a letter to yourself.

The CHAIRMAN. You can have it. If there is nothing further, the committee stands adjourned until Thursday morning at ten o'clock.

(The letters referred to are here printed in full as follows:)

The following correspondence includes letters of criticism addressed by the Comptroller of the Currency to the Riggs National Bank between August 29, 1906, and November 19, 1913, and the Riggs National Bank's replies thereto; also a few miscellaneous letters between the Riggs Bank or its officers and the Treasury Department:

(The Riggs National Bank was chartered June 27, 1896.)

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., August 29, 1896.

Mr. CHAS. C. GLOVER,

Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on July 14, 1896, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan No. 1, first criticism of this borrower.....	\$56,000.00
Excess loan No. 2, first criticism of this borrower.....	218,495.56
Excess loan No. 3, first criticism of this borrower.....	109,465.26

Section 5200, United States Revised Statutes, prescribes that "The total liability to any association of any person, or of any company, corporation, or firm for money borrowed, including the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable.

Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

REQUEST CORRECT SCHEDULE OF ITEMS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1897.

Mr. ARTHUR T. BRICE,
Cashier Riggs National Bank, Washington, D. C.

SIR: In your report of condition for December 17, 1896, the item of stocks, securities, etc., is entered on the face of the same at \$317,305.27, while the schedule on back shows an amount of \$429,287.31.

You are respectfully requested to forward a correct schedule of the items composing the amount at your earliest convenience. Please also see that future reports are correct in this respect.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1897.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 17, 1896, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan, No. 2. Second criticism of this borrower-----	\$264,335.97
Excess loan, No. 4. First criticism of this borrower-----	55,696.49

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington D. C., February 5, 1897.

The honorable the COMPTROLLER OF THE TREASURY,
Washington, D. C.

SIR: I have the honor to acknowledge the receipt of your three several letters of the 2nd instant, the contents of which have due note.

Referring to the report made by this association of its condition on December 17 ultimo, I beg to say that naming the Merchants National Bank of St. Louis as one of our reserve agents was merely a clerical error in copying the report. The name should have been Merchants-Laclede National Bank.

Complying with your request, I hand to you herewith inclosed an amended list of the stocks, securities, etc., held on the date of said report, leaving out United States bonds and stating the total to be \$317,305.27, as shown on the face of the report.

- Noting your exceptions to the amount of funds on deposit with (excess loan No. 2) and with (excess loan No. 4) I beg leave to say:

First. That excess loan No. 2 has been the valued friend and trusted depository of Messrs. Riggs & Co., for nearly 50 years past, and that it is one of the strongest banks in the country, enjoying a credit and standing second to none. It is under State supervision and its management has always been both safe and conservative. Our relations with excess loan No. 2 are of such a nature and of such a satisfactory character that we should consider it a matter of great regret to be without them.

We are called upon to furnish at all times New York Exchange for large amounts to our depositors and others, and hence the necessity of keeping a considerable balance to our credit, separate from our reserve fund, to meet active drafts. To justify the accommodation which we constantly get from excess loan No 2 by way of valuable and reliable information concerning the needs of ourselves and our depositors, we feel obliged to keep a substantial sum on deposit.

Second. That necessarily incident to our business and the needs of our depositors, we furnish, and continuously have in circulation, traveling credits to a large amount, authorizing drafts to be paid in London; and to meet such drafts we are obliged to keep sufficient funds there to our credit.

Excess Loan No. 4 are financial agents of the very highest standing and credit, and well known throughout the commercial world.

They have been our correspondents for a great many years, and render us valuable service in relation to our letters of credit, and in giving information in the interest of our depositors.

Very respectfully, yours,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., July 10, 1897.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 17th ultimo has been received, and the following matters reported therein appear to be subject to criticism or comment:

First. Loans exceeding the limit prescribed by section 5200, United States Revised Statutes.

Excess Loan No. 5.....	\$58,800.00
Excess Loan No. 6, first criticism of this borrower....	\$6,161.30
Excess Loan No. 6 (member of firm), first criticism of this borrower	53,000.00
	59,161.30

Second. The depositors' pass books are balanced by the bookkeeper. This is a dangerous practice.

Some arrangement should be made to have the depositors' pass books balanced and compared with the individual regularly by some one who does not receive deposits nor keep the individual ledger.

Third. The individual ledger bookkeepers are not rotated. They should be directed to exchange ledgers from time to time without previous notice.

Fourth. On March 26, last, there was a discrepancy of \$2,532.18 between the individual and general ledgers, which should be reconciled without delay. This may be the result of not employing a sufficient number of clerks.

Please bring this communication to the immediate attention of the directors for consideration, and request them to unite in making prompt reply over their individual signatures.

Respectfully, yours,

GEO. M. COFFIN,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., July 15, 1897.

The honorable the COMPTROLLER OF THE CURRENCY,
City.

SIR: Your communication of the 10th instant was duly received and will have attention in due course. Several members of the board of directors are absent from the city, and upon their return a reply will be made.

Very respectfully, yours,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., August 28, 1897.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: You are respectfully advised that the cashier's reply to office letter of July 10, with regard to the condition of this bank at the time of a recent examination has been received.

Please see that reply to said letter, signed jointly by the directors of the bank, is made without further delay.

Respectfully, yours,

GEO. M. COFFIN,
Deputy and Acting Comptroller.

RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., August 30, 1897.

The honorable the COMPTROLLER OF THE TREASURY, City.

SIR: Responding to your letter of August 28 instant, we respectfully acknowledge the receipt of your communication of July 10 last with regard to the condition of this bank at the time of the recent examination.

Owing to the absence of our directors, this formal acknowledgment has necessarily been delayed.

Very respectfully, yours,

CHAS. C. GLOVER.
JAMES M. JOHNSTON.
WM. J. FLATHER.
ARTHUR T. BRICE.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE TREASURY,
Washington, D. C., April 12, 1898.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on February 18, 1898, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan No. 2, third criticism of this borrower.....	\$174,764.93
Excess loan No. 7, first criticism of this borrower.....	250,000.00
Excess loan No. 9, first criticism of this borrower.....	26,500.00
Excess loan No. 9, (firm) first criticism of this borrower.....	42,000.00
Excess loan No. 10, first criticism of this borrower.....	52,170.72
Excess loan No. 11, first criticism of this borrower.....	51,275.00
Excess loan No. 6, second criticism of this borrower.....	57,925.00
Excess loan No. 6, (adm's) second criticism of this borrower.....	13,000.00
Excess loan No. 6, (joint) second criticism of this borrower.....	21,927.53
Excess loan No. 12, first criticism of this borrower.....	33,440.00
Excess loan No. 12, (trustee's) first criticism of this borrower..	82,605.00
Excess loan No. 13.....	53,000.00

Section 5200 United States Revised Statutes prescribes that "The total liabilities to any association of any person, or any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 20, 1898.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the 12th instant and note its contents. The character and standing of the borrowers named in your letter and the nature of the collateral securities held for those loans are such as to make the loans undoubted and of very desirable character. Since our last report one of these loans has been reduced to the statutory limit.

Very truly, yours,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, April 28, 1898.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 20th instant has been received, and the following matters reported therein are subject to criticism or comment:

First. Loans exceeding the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 9, second criticism of this borrower...	\$21,000.00
Excess loan No. 9 (member), second criticism of this borrower	71,800.00
	\$92,800.00
Excess loan No. 7, second criticism of this borrower.....	250,000.00
Excess loan No. 6, third criticism of this borrower.....	24,427.55
Excess loan No. 6 (member), third criticism of this borrower	63,000.00
	87,427.55
Excess loan No. 10, second criticism of this borrower.....	51,970.72
Excess loan No. 2, fourth criticism of this borrower.....	251,325.42
Excess loan No. 12, second criticism of this borrower...	36,290.00
Excess loan No. 12 (trustee), second criticism of this borrower	85,605.00
	121,895.00
Excess loan No. 11, second criticism of this borrower.....	51,250.34
Excess loan No. 14	50,108.34
Excess loan No. 15	60,033.56
Excess loan No. 4, second criticism of this borrower.....	132,491.71

Second. The bank holds a large amount of stocks, which were purchased for investment.

You are respectfully advised that the United States Supreme Court decided during the October, 1896, term, in the case of *California National Bank v. Nat Kennedy* (107 U. S. 362), that:

"The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act, and, being such, it is without efficacy."

All shares of stock purchased for investment now owned by the bank are held in plain violation of law, and must be disposed of without further delay. An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 2, 1898.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your communication of the 28th instant has been duly received, and the contents carefully noted. In response to your comments, I beg leave to say that ever since the organization of the bank the amount of investment securities carried on its books have been gradually disposed of when their sale could be effected to advantage.

It is our wish to continue this policy, and to have the institution at all times in such excellent condition as to place it beyond comment or criticism.

Very respectfully, yours,

CHAS. C. GLOVER, *President.*

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., January 27, 1899.

MR. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 1, 1898, that the following loans in excess of one-tenth of its capital have been made, viz, 11 items, aggregating \$941,527.59.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

LAWRENCE O. MURRAY,
Deputy Comptroller.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 28, 1899.

MR. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 15th instant has been received, and the following matter reported therein is subject to criticism:

Loans exceeding the limit prescribed by section 5200, Revised Statutes:

Excess loan No. 9, third criticism of this borrower-----	\$77,399.00	
Excess loan No. 9 (member), third criticism of this borrower-----	36,701.00	\$114,100.00
Excess loan No. 10, third criticism of this borrower-----	51,970.72	
Excess loan No. 7, third criticism of this borrower-----	310,000.00	
Excess loan No. 2, fifth criticism of this borrower-----	129,543.71	
Excess loan No. 8, first criticism of this borrower-----	68,149.80	
Excess loan No. 16, first criticism of this borrower-----	75,000.00	
Excess loan No. 17, first criticism of this borrower-----	59,500.00	
Excess loan No. 18, first criticism of this borrower-----	69,500.00	
Excess loan No. 12, third criticism of this borrower-----	103,563.00	
Excess loan No. 19, first criticism of this borrower-----	106,000.00	

An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES,
Comptroller

NOMINATION OF JOHN SKELTON WILLIAMS.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., March 29, 1899.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 28th instant is received. The loans enumerated in your letter, included in our bills receivable, are all of exceptionally good character, and amply and well secured.

Very respectfully, yours,

ARTHUR T. BRICE,
Cashier.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, September 14, 1899.

Mr. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: I am in receipt of the report of an examination of the Riggs National Bank, Washington, D. C., made August 24, 1899, and the following matters appear to warrant comment or criticism:

Lawful money reserve deficient in bank, \$55,688.

In this connection your attention is called to section 5191, United States Revised Statutes:

Excess loan No. 20, first criticism of this borrower-----	\$94,900.00
Excess loan No. 17, second criticism of this borrower-----	59,500.00
Excess loan No. 12, fourth criticism of this borrower--	\$122,525.00
Excess loan No. 12 (trustee), fourth criticism of this borrower -----	20,311.00
	142,836.00
Excess loan No. 7, fourth criticism of this borrower-----	310,000.00
Excess loan No. 8, second criticism of this borrower--	59,253.81
Excess loan No. 8 (indorsed for G. T. D., jr.), second criticism of this borrower-----	45,522.75
	104,776.06
Excess loan No. 10, fourth criticism of this borrower--	51,970.72
Excess loan No. 10 (overdraft), fourth criticism of this borrower -----	19,827.45
Excess loan No. 10 (indorsed for L. H.), fourth criti- cism of this borrower-----	40,000.00
Excess loan No. 10 (indorsed for W. P. D.), fourth criticism of this borrower-----	106,000.00
	217,598.17
Excess loan No. 21, first criticism of this borrower-----	80,000.00
Excess loan No. 6, fourth criticism of this borrower-----	116,739.40
Excess loan No. 16, second criticism of this borrower-----	75,000.00
Excess loan No. 18, second criticism of this borrower-----	79,500.00
Excess loan No. 22, first criticism of this borrower-----	52,080.00

These loans should be reduced to the limit prescribed by section 5200, United States Revised Statutes.

Loans secured by real estate mortgages:

At the time of the examination the bank had loans secured by real estate amounting to \$310,338.40, while in your sworn report of condition for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real estate mortgages, although about the same amount was then held.

It appears that the loans are made through the firm of Glover & Johnston, which is comprised of yourself and the two vice presidents of the bank, the cash being furnished temporarily by the bank, and that the notes are sold to customers of the bank without recourse on this firm. The examiner reports that at least \$2,000,000 of this paper is outstanding, and its collection and management is under the supervision of the collection department of the bank.

The criticism as to the legality or illegality of these loans depends entirely upon whether they are made wholly or partly upon the security of the real estate mortgages, and in this connection your attention is called to section

5187, United States Revised Statutes, which provides that the only purpose for which a national bank may lawfully acquire a mortgage on or title to real estate is "by way of security for debts previously contracted."

An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 16, 1899.

Hon. CHARLES G. DAWES,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: We beg to acknowledge the receipt of your favor of 14th instant in reference to the recent report of the bank examiner, and to say:

1. As to deficiency in lawful money reserve in bank:

That was only temporary. Our present reserve in bank is \$963,000, and is \$248,000 above legal requirements.

2. We endeavor to keep our loans as nearly as possible within the 10 per cent limit, but it is not always possible to do so.

3. As to real estate loans:

There is no connection between the loans referred to in paragraphs 1 and 2, of page 2, of your letter. Those referred to in paragraph 1 only exist where we take A's note as collateral security for B's debt, and we do not consider A's note less valuable as collateral because it is sometimes secured by a lien on real estate. Our statement of June 30 shows a loan of \$500, which is the only loan we hold secured by real estate, as we understand the meaning of the statute.

The bank has no interest in the loans referred to in paragraph 2, page 2, of your letter, and is in no way liable on or for them. These loans are not made to be used as collateral for loans by the bank, and are so used in a trifling proportion of cases only. When given (not sold) to depositors we commonly take them for collection as any other commercial paper or bonds would be. As to them the bank has only the usual responsibility as collecting agents.

Very respectfully,

JAMES M. JOHNSTON,
Second Vice President.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 12, 1900.

MR. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 28th ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 17, third criticism of this borrower.....	\$57, 125. 00.
Excess loan No. 20, second criticism of this borrower.....	53, 901. 12
Excess loan No. 12, fifth criticism of this borrower.....	178, 290. 00
Excess loan No. 8, third criticism of this borrower.....	180, 963. 58
Excess loan No. 21, second criticism of this borrower.....	115, 000. 00.
Excess loan No. 23, first criticism of this borrower.....	58, 388. 00
Excess loan No. 22, second criticism of this borrower.....	72, 030. 00.
Excess loan No. 10, fifth criticism of this borrower.....	207, 970. 52
Excess loan No. 24, first criticism of this borrower.....	100, 000. 00
Excess loan No. 25, first criticism of this borrower.....	52, 578. 75
Excess loan No. 26, first criticism of this borrower.....	69, 076. 52
Excess loan No. 7, fifth criticism of this borrower.....	410, 000. 00.
Excess loan No. 6, fifth criticism of this borrower.....	117, 889. 46

The examiner reports 63 loans, amounting to \$282,405.65, secured by real estate mortgages.

It appears that these loans are made upon notes discounted for the makers on the security of other notes running to such makers, which latter notes are

secured by real estate mortgages, and that the bank accepts these mortgage notes and mortgages as collateral to the notes discounted.

While it is true, as stated by the bank, in reply to a former letter of this office in regard to such loans, that none of the collateral notes or mortgages in question run to the bank, it appears to be likewise true that the only security involved in any of these transactions is the real estate mortgaged to secure the note taken as collateral to the note discounted, as it is not assumed that the bank would have discounted any of these borrowers' notes on the strength of the makers of such notes alone without indorsement or other security, or on the strength of the makers of the collateral notes without the real estate mortgages behind them.

These loans are therefore made in contravention of section 5137, United States Revised Statutes which prohibits a national bank from taking real-estate mortgages as security for loans except "such as shall be mortgaged to it in good faith by way of security for debts previously contracted," and the practice of making such mortgage loans should be discontinued.

An early reply to this letter is requested.

Respectfully,

T. P. KANE, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., March 17, 1900.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 12th instant has been received.

Referring to the matters to which my attention has been called, I beg leave to say that the number of excess loans held by this bank will be largely reduced by April 1, prox., on which date the whole amount loaned to the Capital Traction Co. will be paid off.

In regard to the loans made on collateral of other notes, secured by real estate, I beg leave to say that, almost without exception, the notes are perfectly good, without any security. Some of them are indorsed notes, in addition to the real-estate security; and the number will be reduced at any early date.

Very respectfully,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY.
Washington, October 17, 1900.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 22d ultimo, has been received and has had careful consideration.

At the time of the previous examination, February 28, 1900 loans secured by real-estate mortgages were reported amounting to \$282,405.65, to which your attention was called in office letter of March 12, 1900, as being made in contravention of section 5137, United States Revised Statutes. The examiner now reports loans of the same character amounting to \$435,904.04. Your attention is again invited to the section above named, which provides that the only purpose for which a national bank may lawfully take a mortgage on real estate is "By way of security for debts previously contracted." As the mortgages referred to do not appear to have been taken for this purpose, the notes should be disposed of or other security obtained.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 12, sixth criticism of this borrower-----	\$188, 211. 00
Excess loan No. 60-----	146, 923. 27
Excess loan No. 2, sixth criticism of this borrower-----	121, 178. 55
Excess loan No. 19, second criticism of this borrower-----	106, 000. 00
Excess loan No. 24, second criticism of this borrower-----	100, 000. 00
Excess loan No. 8, fourth criticism of this borrower-----	93, 957. 25

NOMINATION OF JOHN SKELTON WILLIAMS.

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Excess loan No. 27, first criticism of this borrower.....	\$82,000.00
Excess loan No. 18, third criticism of this borrower.....	75,200.00
Excess loan No. 21, third criticism of this borrower.....	80,000.00
Excess loan No. 16, third criticism of this borrower.....	75,000.00
Excess loan No. 28, second criticism of this borrower.....	73,035.89
Excess loan No. 20, third criticism of this borrower.....	72,301.12
Excess loan No. 22 (et al.), third criticism of this borrower.....	\$60,000.00
Excess loan No. 22, third criticism of this borrower.....	54,743.75
	114,743.75
Excess loan No. 17, fourth criticism of this borrower.....	57,125.00
Excess loan No. 9, fourth criticism of this borrower.....	57,000.00
Excess loan No. 28, first criticism of this borrower.....	66,780.88
Excess loan No. 10, sixth criticism of this borrower.....	51,970.72

1,561,427.43

An early reply to this letter is requested,
Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., October 23, 1900.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the 17th instant, calling attention to the report of the bank examiner of an examination of the Riggs National Bank on September 22, 1900.

Noting the comments in your letter, I beg leave to say that through some misunderstanding on the part of the examiner, the amount loaned on real estate securities is fixed at: \$435,904.04.

To make a correct showing, that amount should be reduced to the sum of \$222,023.

The following loans, not being secured by real estate, are erroneously included in the examiner's report, to wit:

A, secured by stocks, etc.....	\$10,000.00
B, and others, 3-name note.....	23,162.32
C, secured by stocks.....	3,000.00
D, indorsed note—since paid.....	3,000.00
E, collaterals.....	8,500.00
F, four-name note.....	12,500.00
G, four-name note.....	8,019.38
H (\$10,000, indorsed note).....	8,019.38
I, collaterals.....	10,000.00
J, collaterals.....	10,000.00
K, indorsed note.....	4,000.00
L, listed \$6,000, should be \$2,500.....	3,500.00
M, listed \$9,000, should be \$7,500.....	1,500.00
N, collateral-corporation note.....	17,565.00
O, collateral-corporation note.....	26,350.00
P, collateral-corporation note.....	21,620.00
Q, collateral-corporation note.....	16,250.00
R, collateral-corporation note.....	19,595.00
S, listed twice.....	7,300.00

213,881.04

From this you will see that the amount of loans secured by notes secured by mortgages, is being materially reduced, rather than increased.

Very respectfully,

CHAS. C. GLOVER,
President.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., January 30, 1901.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 13, 1900, that the following loans in excess of one-tenth of its capital stock have been made, viz: Thirty-one loans aggregating \$1,728,538.46.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm, for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit without delay.

Respectfully,

T. P. KANE, Deputy Comptroller.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., April 3, 1901.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on February 5, 1901, that the following loans in excess of one-tenth of its capital stock have been made, viz: Twenty-one loans, aggregating \$1,808,449.16.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit without delay.

Respectfully, yours,

T. P. KANE, Deputy Comptroller.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, May 9, 1901.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 9, fifth criticism of this borrower.....	\$73,050.00
Excess loan No. 9 (firm), fifth criticism of this borrower.....	33,000.00
	\$106,050.00
Excess loan No. 12, seventh criticism of this borrower.....	108,348.00
Excess loan No. 22, fourth criticism of this borrower.....	75,000.00
Excess loan No. 8, fifth criticism of this borrower.....	154,079.68
Excess loan No. 29.....	69,400.00
Excess loan No. 10, seventh criticism of this borrower.....	140,073.70
Excess loan No. 24, third criticism of this borrower.....	100,000.00
Excess loan No. 30, first criticism of this borrower.....	\$65,000.00
Excess loan No. 25, second criticism of this borrower.....	56,321.55
Excess loan No. 28 (joint), second criticism of this borrower.....	100,000.00
Excess loan No. 28, second criticism of this borrower.....	39,052.46
Excess loan No. 31, first criticism of this borrower.....	60,000.00
Excess loan No. 32, first criticism of this borrower.....	112,531.90

Excess loan No. 26, third criticism of this borrower.....	\$87,285.86
Excess loan No. 18, fourth criticism of this borrower.....	92,000.00
Excess loan No. 16, fourth criticism of this borrower.....	75,000.00
Excess loan No. 6, sixth criticism of this borrower.....	188,016.39
Excess loan No. 2, seventh criticism of this borrower.....	134,738.44

The examiner states that loans secured by real estate amounted to about \$400,000, the security for the greater portion running to employees of the bank. This amount is slightly below the amount reported at the time of the previous examination, but greatly in excess of the amount stated in your letter of October 23, 1900. The loan to ——— which you stated was secured by stocks, etc., is now reported to be secured by deed of trust and assigned mortgages, and must therefore be included with the loans secured by real estate. Your attention is again called to the provisions of section 5137, United States Revised Statutes, in connection with these loans.

An early reply to this letter is requested.

Respectfully,

T. P. KANE, Deputy Comptroller.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, October 25, 1901.

MR. CHARLES C. GLOVER,
President, Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 14th instant, has been received, and has had careful consideration.

While the average reserve for 30 days preceding the examination was sufficient, there was a deficiency of \$85,608 on the day of the examination in the lawful money reserve. In this connection your attention is called to section 5191, United States Revised Statutes.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 28, third criticism of this borrower...	\$167,552.46	
Excess loan No. 28 (joint), third criticism of this borrower.....	100,000.00	
		\$267,552.46
Excess loan No. 6, seventh criticism of this borrower.....		188,016.39
Excess loan No. 8, sixth criticism of this borrower.....		154,079.68
Excess loan No. 10, eighth criticism of this borrower.....		146,573.70
Excess loan No. 22, fifth criticism of this borrower.....	60,368.75	
Excess loan No. 22 (et al.), fifth criticism of this borrower.....	60,000.00	
		120,368.75
Excess loan No. 12, eighth criticism of this borrower.....		108,848.00
Excess loan No. 9, fifth criticism of this borrower.....	42,000.00	
Excess loan No. 9 (firm), fifth criticism of this borrower.....	63,000.00	
		105,000.00
Excess loan No. 24, fourth criticism of this borrower.....		100,000.00
Excess loan No. 18, fifth criticism of this borrower.....		92,000.00
Excess loan No. 16, fifth criticism of this borrower.....		75,000.00
Excess loan No. 26, fourth criticism of this borrower.....		71,775.66
Excess loan No. 21, fourth criticism of this borrower.....		70,000.00
Excess loan No. 23, second criticism of this borrower.....		67,505.49
Excess loan No. 33, first criticism of this borrower.....		65,939.37
Excess loan No. 34, first criticism of this borrower.....		65,500.29
Excess loan No. 30, second criticism of this borrower.....		65,000.00
Excess loan No. 35, first criticism of this borrower.....		61,600.00
Excess loan No. 31, second criticism of this borrower.....		60,000.00
Excess loan No. 25, third criticism of this borrower.....		56,351.25
Excess loan No. 2, eighth criticism of this borrower.....		54,600.03
Excess loan No. 27, second criticism of this borrower.....		54,000.00

The examiner reports various loans aggregating \$203,700 secured by notes as collateral which are in turn secured by real estate. Reference is made to what was said upon loans of this character in office letter of May 9, 1901, in

which it is held these loans are in contravention of section 5137, United States Revised Statutes.

No reply has been received to the last office letter addressed to your bank, regarding its condition as shown by the examiner's report at that time, and an early reply to this letter is requested,

Respectfully,

WM. B. RIDGELEY, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.

Washington, D. C., October 28, 1901.

The honorable the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We have to acknowledge the receipt of your letter of the 25th instant, and, also, in due course, your letter of May 9 last. We note the contents of these two letters and beg leave to say that they will have respectful attention.

The number of loans made secured by notes—themselves secured by real estate mortgages—has largely decreased since the last examination by the bank examiner, and it is our policy to reduce the amount as much as possible. These loans are only made to our best borrowers and upon ample security. The deficiency in cash on the day the bank examiner called only existed for that day. The reserve in bank and with reserve agents is constantly largely in excess of the requirements of the statute.

Very respectfully,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,

OFFICE OF THE COMPTROLLER OF THE TREASURY,

Washington, May 1, 1902.

MR. CHARLES C. GLOVER,

President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 6, eighth criticism of this borrower	\$265,018.39
Excess loan No. 8, seventh criticism of this borrower	189,937.18
Excess loan No. 18, sixth criticism of this borrower	153,500.00
Excess loan No. 10, ninth criticism of this borrower	145,573.70
Excess loan No. 22, sixth criticism of this borrower	120,368.75
Excess loan No. 12, ninth criticism of this borrower	115,098.00
Excess loan No. 36, first criticism of this borrower	114,970.00
Excess loan No. 2, ninth criticism of this borrower	114,520.34
Excess loan No. 32, second criticism of this borrower	111,368.65
Excess loan No. 24, fifth criticism of this borrower	100,000.00
Excess loan No. 21, fifth criticism of this borrower	97,000.00
Excess loan No. 37, first criticism of this borrower	90,368.75
Excess loan No. 31, third criticism of this borrower	80,000.00
Excess loan No. 16, sixth criticism of this borrower	75,000.00
Excess loan No. 26, fifth criticism of this borrower	72,004.60
Excess loan No. 38	67,225.00
Excess loan No. 33, second criticism of this borrower	62,320.25
Excess loan No. 35, second criticism of this borrower	61,600.00
Excess loan No. 35, third criticism of this borrower	59,457.25
Excess loan No. 25, fourth criticism of this borrower	56,351.25

The bank has made investment in stock of other corporations as follows:

601 shares of Capital Traction Co	\$59,895.25
350 shares of Arlington Fire Insurance Co	7,000.00
500 shares Columbia Fire Insurance Co	2,500.00
100 shares National Union Fire Insurance Co	500.00
290 shares Peoples Fire Insurance Co	1,450.00
500 shares Riggs Fire Insurance Co	2,500.00
1,757 shares Columbia Title Insurance Co	8,697.15
32 shares Real Estate Title Insurance Co	2,880.00
63 shares Pennsylvania Telephone Co	1,911.13
112 shares Washington Gas Light Co	8,035.37

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 19, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I hand you herewith a statement of the condition of the Riggs National Bank of Washington, D. C., at the close of business September 15, 1902, as per your call.

I beg leave to call your attention to the fact that while the reserve in bank was low on that date, it has since and is now above the lawful requirement.

Very respectfully,

ARTHUR T. BRICE,
Cashier.

TREASURY DEPARTMENT, OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, October 27, 1902.

Mr. CHARLES C. GLOVER,
President The Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank, made on the 20th instant, has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 89, first criticism of this borrower.....	\$236,130.98
Excess loan No. 6, ninth criticism of this borrower.....	205,018.89
Excess loan No. 8, eighth criticism of this borrower.....	165,937.18
Excess loan No. 18, seventh criticism of this borrower.....	153,500.00
Excess loan No. 10, tenth criticism of this borrower.....	140,573.70
Excess loan No. 22, seventh criticism of this borrower.....	130,368.75
Excess loan No. 21, sixth criticism of this borrower.....	115,750.00
Excess loan No. 40, sixth criticism of this borrower.....	111,368.65

You are respectfully advised that the United States Supreme Court in the case of California National Bank v. Kennedy (167 U. S., 382), decided that—

“The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act and being such it is without efficacy.”

As such investments can not be lawfully made by a national bank, these stocks should be disposed of.

Loans amounting to \$211,920.58 are secured by collateral notes which are in turn secured by real estate. Your attention is again called to section 5137, United States Revised Statutes, which prohibits national banks from making loans on real estate security, and this prohibition applies to loans made indirectly upon real estate security as much as to those made directly on such security. As these loans are made in contravention of law they should be disposed of.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., May 2, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the first instant and note its several contents. The matters referred to in your letter will have our attention.

Very respectfully,

CHAS. C. GLOVER,
President.

NOMINATION OF JOHN SKELTON WILLIAMS.

Excess loan No. 41.....	\$100,000.00
Excess loan No. 31, fourth criticism of this borrower.....	80,000.00
Excess loan No. 16, seventh criticism of this borrower.....	75,000.00
Excess loan No. 2, tenth criticism of this borrower.....	75,662.12
Excess loan No. 25, fifth criticism of this borrower.....	68,002.50
Excess loan No. 26, sixth criticism of this borrower.....	67,485.52
Excess loan No. 35, third criticism of this borrower.....	61,600.00
Excess loan No. 36, second criticism of this borrower.....	58,500.00
Excess loan No. 33, third criticism of this borrower.....	54,931.50
Excess loan No. 30, fourth criticism of this borrower.....	65,457.25

The bank is still carrying a large number of loans, amounting to \$179,457.65, for which real estate notes have been accepted as collateral security. These loans should be disposed of, as these loans were made in contravention of section 5137, United States Revised Statutes, which prohibits national banks from making loans on real estate security.

The bank owns stocks of other corporations which were purchased as investments. These stocks should be disposed of as such investment can not be lawfully made by a national bank.

An early reply to this letter is requested:

Respectfully,

P. T. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington D. C., October 31, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have your letter of the 27th instant and we note the contents. In reply thereto, we beg to say that the comments which you make will have due note and attention.

Very respectfully,

ARTHUR T. BRICE, Cashier.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., December 4, 1902.

Mr. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: Upon examination of your report of condition for November 25, 1902, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$141,100 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 5, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of December 4 is received and contents duly noted. In reply thereto, we beg to say that the deficiency in our lawful money reserve was

but temporary, due to the necessity for accumulating a large amount of reserve with our New York agents. The amount has since been, and is now, above the legal requirement.

Very respectfully,

CHAS. C. GLOVER, *President.*

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 13, 1903.

MR. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: Upon examination of your report of condition for February 6, 1903, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$66,200 in the amount required to be kept in the bank.

You are respectfully referred to Sections 5192 and 5195, United States Revised Statutes which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectively,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 16, 1903.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 18th instant, calling our attention to a deficiency in the amount of lawful reserve in bank on February 6, has been received. In reply, we beg to say that the deficiency was more than made up on the 9th instant, when we had in the bank an excess over the amount required.

On the date named in your letter, we had with our reserve banks a total credit balance of \$1,406,000—nearly double the amount required by law; and our shortage of cash in bank was due to Treasury deposits for account of our corresponding banks.

Very respectfully,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 15, 1903.

MR. ARTHUR T. BRICE,
Cashier Riggs National Bank,
Washington, D. C.

SIR: Upon examination of the report of condition of your bank for April 9, 1903, it is found that the liabilities of the bank for United States bonds borrowed amounted to \$3,100,000, an amount greatly in excess of the capital stock.

Your attention is called to section 5202, United States Revised Statutes, which prescribed that—

"No association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in" except on account of certain demands therein named.

The above liabilities should therefore be reduced to the lawful limit without delay. You are requested to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 17, 1903.

The Hon. the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Acknowledging your letter of the 15th instant, calling the attention of this bank to section 5202, United States Revised Statutes, with reference to item of \$3,100,000 United States bonds borrowed, which represent an amount in excess of the capital stock, I have the honor to write that the matter will be adjusted within the course of two or three days to the satisfaction of the office of the Comptroller of the Currency.

Your attention is called to the fact that \$100,000 in United States bonds have already been withdrawn as security for deposits, leaving the amount now pledged at \$3,000,000.

Very respectfully,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 27, 1903.

Mr. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 20th inst. has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, ninth criticism of this borrower	\$165,937.18
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00
	<hr/> \$415,937.18
Excess loan No. 42	300,000.00
Excess loan No. 43	300,000.00
Excess loan No. 44	250,000.00
Excess loan No. 39, second criticism of this borrower	236,130.98
Excess loan No. 6, ninth criticism of this borrower	205,000.00
Excess loan No. 45	200,000.00
Excess loan No. 36, third criticism of this borrower	159,775.00
Excess loan No. 18, eighth criticism of this borrower	153,500.00
Excess loan No. 22, eighth criticism of this borrower	50,000.00
Excess loan No. 22 (accommodation) eighth criticism of this borrower	10,368.75
Excess loan No. 22 (et al.) eighth criticism of this borrower	70,000.00
	<hr/> 130,368.75
Excess loan No. 10, eleventh criticism of this borrower	129,573.70
Excess loan No. 28, fourth criticism of this borrower	60,000.00
Excess loan No. 28 (cash item) fourth criticism of this borrower	62,062.50
	<hr/> 122,062.50
Excess loan No. 2, eleventh criticism of this borrower	116,027.03
Excess loan No. 32, third criticism of this borrower	113,793.24

Included in the excessive loan to ——— (excess loan No. 8), are five loans to employees of the bank for \$50,000 each, which loans are secured by 420 shares each of the stock of the Capital Traction Co. owned by Mr. ——— and were made for his benefit. These loans in addition to constituting an excessive loan

to Mr. ———, which should be reduced to the lawful limit, are regarded as insufficiently secured, the makers of the notes being financially irresponsible and the margin on the stock insufficient.

The bank has purchased stocks of various other corporations. You are again reminded that these stocks should be disposed of as such investments can not be lawfully made by a national bank.

Loan aggregating \$167,267.99, made by the bank, are secured by real estate notes held as collateral. Attention is again called to the fact that these loans should be disposed of, as section 5137, United States Revised Statutes, prohibits national banks from making loans on real estate security.

A number of irregular items are reported carried in the cash in the form of shares of stock, bonds, notes, etc. These items should be eliminated and charged to their proper accounts and the practice of carrying such items in this account as active cash should be discontinued.

It appears from the examiner's report that the bank is engaged in the business of buying and selling stocks and bonds on commission.

In this connection, your attention is invited to section 5136, United States Revised Statutes, which enumerates the general powers of a national banking association and to the decisions of the courts that banks can exercise only such powers as are expressly granted and those necessarily incidental to the business of banking. It is ultra vires, therefore, of a national bank to deal in stocks or to act as a broker or agent in the purchase of bonds or stocks.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 30, 1903.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 22d instant is received and contents duly noted. Replying thereto, I beg leave to say that Mr. ——— (excess loan No. 8) is a gentleman of large fortune and responsibility, and upon his return to Washington, in a few days, I will see that additional security is taken from him to cover the loans mentioned.

In regard to the loans covered by real estate notes as collateral, I beg leave to say that we are gradually reducing this amount of security. This class of security is not taken by us as a matter of necessity, but as an additional security in nearly every instance. When we make a loan secured by real estate notes, the borrower is considered to be of good standing and credit, and in the great majority of cases, we should loan the money without other security than his notes of hand, based on personal holdings of real estate or other property.

The bank is not engaged in the buying and selling of stocks, bonds, etc., on its own account. Two of the officers here are members of the local board and their services are given for the purchase and sale of securities which are ordered by our depositors from time to time, and the commissions from such transactions are credited to the commission account of the bank. This service has become incidental to our deposit business and is necessary, in order to accommodate the demands of our depositors and clients.

The items temporarily held in the cash for stocks, bonds, etc., are held there for a short time only, awaiting a check for the purchase, or, in cases of regular local sales, settlement from the brokers who call to take them up after 24 hours, under the rules of the Stock Exchange.

The writer has called in person to explain to your office a number of the details referred to in your letter, which he does not think necessary to repeat in this letter.

Very respectfully,

CHAS. C. GLOVER,
President.

NOMINATION OF JOHN SKELTON WILLIAMS.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 13, 1903.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Replying to your letter of June 12, I beg leave to say that the matter referred to therein will have attention.

Very respectfully,

CHAS. C. GLOVER,
President.

NOTE.—Department files indicate that on June 12, 1903, Riggs National Bank was written in connection with a deficiency of \$149,382 in their cash reserve as shown by report of condition June 9, 1903.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, November 19, 1903.

MR. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 9th instant has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 46.....	\$400,000.00
Excess loan No. 47, first criticism of this borrower.....	400,000.00
Excess loan No. 8, tenth criticism of this borrower.....	315,937.18
Excess loan No. 39, third criticism of this borrower.....	236,130.98
Excess loan No. 48.....	200,000.00
Excess loan No. 49.....	200,000.00
Excess loan No. 28, fifth criticism of this borrower.....	188,187.50
Excess loan No. 6, tenth criticism of this borrower.....	175,000.00
Excess loan No. 18, ninth criticism of this borrower.....	152,500.00
Excess loan No. 50.....	150,000.00
Excess loan No. 10, twelfth criticism of this borrower.....	133,573.70
Excess loan No. 51.....	125,000.00
Excess loan No. 22, ninth criticism of this borrower.....	120,363.75
Excess loan No. 52.....	117,293.24
Excess loan No. 36, fourth criticism of this borrower.....	100,800.00

You are again reminded that the stocks purchased for investment should be disposed of, as such investments can not be lawfully made by a national bank.

Loans aggregating \$173,277.65, made by the bank, are secured by real-estate mortgages held as collateral. Section 5137, United States Revised Statutes, prohibits national banks from making loans on real-estate security. These loans should therefore be disposed of.

The board of directors have only held three meetings since the last examination, the loans and discounts are not approved by them, all loans being made by the officers.

In order to fulfill the obligations imposed upon them by law and their oaths of office, the directors should hold regular meetings as a board at least once a month, at which they should examine and approve all loans and discounts and advise themselves as to the condition of the bank.

An early reply to this letter is requested.

Respectfully,

WM. B. RIDGELY, Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., Nov. 20, 1903.

THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 19th instant has been received.

In regard to the excess loans referred to, the larger volume of them are in New York call loans, secured by the best approved collaterals, and are made from our reserve funds there.

It is not our custom to make loans directly on real estate security. We are carrying temporarily some loans secured by notes which, in turn, are secured by deed of trust on real property. In all such cases we depend upon the personal credit of the makers of the notes, in addition to the real security. The other matters referred to in your letter will have due attention.

Very truly, yours,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 29, 1904.

MR. CHARLES C. GLOVER,
President the Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 25th instant has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, eleventh criticism of this borrower.....	\$315,937.18
Excess loan No. 47, second criticism of this borrower.....	300,000.00
Excess loan No. 53.....	250,000.00
Excess loan No. 39, fourth criticism of this borrower.....	236,13.98
Excess loan No. 54, first criticism of this borrower.....	200,000.00
Excess loan No. 6, eleventh criticism of this borrower.....	170,000.00
Excess loan No. 18, tenth criticism of this borrower.....	152,500.00
Excess loan No. 10, thirteenth criticism of this borrower.....	133,573.70
Excess loan No. 22, tenth criticism of this borrower.....	120,368.75
Excess loan No. 32, fourth criticism of this borrower.....	115,793.24

You are again reminded that the stocks of other corporations which were acquired as investments should be disposed of, as such investments can not be lawfully made by a national bank.

The examiner reports 46 loans aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued.

A loss of \$2,671.48 is estimated on "bad debts" as defined by section 5204, United States Revised Statutes. All losses should be determined and promptly charged off.

An early reply to this letter is requested.

Respectfully,

WM. B. RIDGLEY,
Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 3, 1904.

THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of April 29, concerning the recent examination made by the bank examiner of the affairs of this bank, has been received. In reply, I beg leave to say that the various matters you mention shall have due attention.

Very respectfully,

CHAS. C. GLOVER,
President.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., June 16, 1904.

MR. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for June 9, 1904, it is found that while there was an excess due from reserve agents over the amount

which can be counted as lawful money reserve, there was a deficiency of \$111,700 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 18, 1904.

The COMPTROLLER OF THE CURRENCY,
Washington D. C.

SIR: Your communication of June 16, in relation to the deficiency in our cash reserve on June 9, has been received.

In reply thereto we beg leave to say that while our reserve was short on that day, it has since been made good. On the 18th instant our bank cash reserve was \$56,000 more than requirements.

Very respectfully,

ARTHUR T. BRICE, Cashier.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, October 22, 1904.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 18th instant has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, twelfth criticism of this borrower.....	\$315,037. 18
Excess loan No. 39, fifth criticism of this borrower.....	237,230. 98
Excess loan No. 54, second criticism of this borrower.....	200,000. 00
Excess loan No. 6, twelfth criticism of this borrower.....	170,000. 00
Excess loan No. 18, eleventh criticism of this borrower.....	152,500. 00
Excess loan No. 10, fourteenth criticism of this borrower.....	133,573. 70
Excess loan No. 22, eleventh criticism of this borrower.....	120,368. 75
Excess loan No. 32, fifth criticism of this borrower.....	113,793. 24
Excess loan No. 21, seventh criticism of this borrower.....	140,000. 00

The stock purchased as an investment by your bank should be disposed of as it is unlawful for a national bank to purchase stock of other corporations as an investment.

As heretofore advised the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission.

The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued.

Loans aggregating \$99,052.65 are secured by real-estate notes. These loans should be disposed of as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate.

There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191, United States Revised Statutes.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., October 24, 1904.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 22d instant has been received by me and contents duly noted.

With respect to the stock purchased as an investment for this bank, to which you invited my attention, I beg to say that we are disposing of it as rapidly as the same can be done consistent with best interests. To a very large extent, the stock referred to was inherited from the old firm of Riggs & Co.

With respect to commissions on sales and purchases of stocks and bonds, I beg to advise you that such commissions are really not charged by the bank. The old firm of Riggs & Co. owned seats on the stock exchange; those of our officers who were designated to hold them have, in consideration of loss of time to the bank, voluntarily turned over such commissions as they may have earned.

The other matters mentioned in your letter will have my attention.

Very respectfully,

CHAS. C. GLOVER,
President.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, May 3, 1905.

MR. CHAS. C. GLOVER,
President, The Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 25th ultimo, has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, thirteenth criticism of this borrower.....	\$365,482.79
Excess loan No. 39, sixth criticism of this borrower.....	237,230.98
Excess loan No. 55.....	200,000.00
Excess loan No. 6, thirteenth criticism of this borrower.....	170,000.00
Excess loan No. 18, twelfth criticism of this borrower.....	151,500.00
Excess loan No. 56, first criticism of this borrower.....	144,560.62
Excess loan No. 21, eighth criticism of this borrower.....	135,000.00
Excess loan No. 22, twelfth criticism of this borrower.....	120,368.75
Excess loan No. 10, fifteenth criticism of this borrower.....	115,000.00
Excess loan No. 32, sixth criticism of this borrower.....	109,793.24

No account should be undertaken by a national bank disproportionate to its capital stock, and while the financial responsibility of the above-named borrowers is not questioned, the loans should be reduced and kept within lawful and prudent limits.

While there was an excess due from approved reserve agents over the amount which may be counted as lawful money reserve, there was a deficiency of \$33,700 in that portion of the reserve which is required to be kept in the bank. In this connection attention is called to section 5191 United States Revised Statutes.

The unpaid interest items carried in the cash items account should be eliminated therefrom and charged to the proper accounts.

You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank.

Forty-nine loans collateralized by real estate notes should be disposed of, as it is unlawful for a national bank to make loans on or purchase notes secured by real estate.

Ten shares of the bank's own stock are reported to be held as security to the loan of _____. Attention is called to section 5201, United States Revised Statutes, which prescribes that no association shall make any loan or discount upon the security of the shares of its own capital stock. The loan referred to should be disposed of or other security required.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that it has been read by them and what steps will be taken to correct the matters called to their attention. The directors should sign the detailed reply and not a separate letter attached thereto.

Respectfully,

T. P. KANE,
Deputy Comptroller.

NOMINATION OF JOHN SKELTON WILLIAMS.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 5, 1905.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have the honor to acknowledge receipt of your letter of the 3d instant, calling attention to the report of the examination of this bank made on the 25th ultimo.

Referring to the excess loans set forth in your communication, you are advised that consideration will be given to their reduction as soon as the same is found to be practicable.

In reference to your notification that while there was an excess due from approved reserve agents over the amount which may be counted as lawful money reserve, there was a deficiency of \$33,700 in that portion of the reserve which is required to be kept in the bank; you are advised that such reserve was made good the day following your examination.

The unpaid interest items carried in our cash items account, which you request be eliminated therefrom and charged to the proper account, will receive our attention.

It is our intention to dispose of the stocks of other corporations acquired by the bank as investments.

With respect to loans secured by real estate notes, we beg leave to say that these are primarily single-named paper, and such loans are made exclusively to depositors who own the notes secured by real estate and have the same deposited with us for collection. These borrowers are parties of unquestioned responsibility and their single-name paper would suffice for their loans, which are always of a temporary character, the real estate investments which they have with us being noted as collateral merely by way of precaution.

In regard to the 10 shares of the bank's own stock held as collateral for loan to ———, you are advised that such is not so held. The loan was made to ——— upon the indorsement of his brother, and the note itself makes no reference to any collateral. While it is true that we hold 10 shares of the bank's stock, standing in the name of ———, in the vault, these shares have never been put up as collateral.

We, the undersigned, directors of the Riggs National Bank of Washington, D. C., have read the letter of the Comptroller of the Currency addressed to Mr. Charles C. Glover, president of this bank, dated May 3, 1905:

CHARLES C. GLOVER.
 JAMES STILLMAN.
 F. A. VANDERLIP.
 ARTHUR T. BRICE.
 WILLIAM J. FLATHER.
 H. HUNT.

J. R. McLEAN.
 R. ROSS PERRY.
 M. E. AILES.
 THOMAS HYDE.
 JAMES M. JOHNSTON.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 15, 1905.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have the honor to hand you herewith, in reply to your communication of the 3d instant, a letter which has been signed by 10 of our directors and which I understand to be in compliance with your instructions. The remaining two directors, Mr. Thomas F. Walsh and Mr. James M. Johnston, are in Europe, and therefore beyond reach. I have no doubt they will be pleased to sign a communication addressed to you, of similar purport to the one now inclosed, upon their return.

Respectfully, yours,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
 COMPTROLLER OF THE CURRENCY,
Washington, December 1, 1905.

Mr. CHARLES C. GLOVER,
President the Riggs National Bank, Washington, D. C.:

The report of an examination of your bank made on the 20th ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, fourteenth criticism of this borrower.....	\$366,482.79
Excess loan No. 39, seventh criticism of this borrower.....	243,169.03
Excess loan No. 57.....	238,000.00
Excess loan No. 6, fourteenth criticism of this borrower.....	170,000.00
Excess loan No. 18, thirteenth criticism of this borrower.....	159,884.20
Excess loan No. 22, thirteenth criticism of this borrower.....	125,868.75
Excess loan No. 53.....	125,000.00
Excess loan No. 32, seventh criticism of this borrower.....	118,000.00
Excess loan No. 10, sixteenth criticism of this borrower.....	115,000.00
Excess loan No. 21, ninth criticism of this borrower.....	110,000.00
Excess loan No. 56, second criticism of this borrower.....	107,788.75

With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended (excess loan No. 8) is not only excessive but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay.

Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form.

It is again suggested that the directors at their monthly meetings approve all loans and not only the ones exceeding the lawful limit.

It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention herein. The directors should sign the detailed reply and not a separate letter attached thereto.

Respectfully,

WM. B. RIDGELY, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 8, 1905.

HON. WILLIAM B. RIDGELY,

Comptroller of the Currency, Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 1st instant calling attention to the report of the examination of the Riggs National Bank, of Washington, D. C., made on the 20th ultimo.

We note what you say with reference to excess loans and have taken steps to comply with your request in this respect.

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

A list of all loans will be submitted to the directors at monthly meetings, as suggested by you.

We note what you say with reference to shares of stock of various corporations owned by this bank. In compliance with your former request, we have practically closed out our stocks, and the rest will be disposed of as soon as practicable. Some of the stocks referred to were taken over from the old firm of Riggs & Co. in liquidation.

We have read the letter of the Comptroller of the Currency dated December 1, 1905, to which this is a reply.

Very respectfully,

CHAS. C. GLOVER.
ARTHUR T. BRICE.
M. E. AILES.
H. HURT.
J. R. MCLEAN.
JAMES M. JOHNSTON.

THOS. HYDE.
WM. J. FLATHER.
R. ROSS PERRY.
THOMAS F. WALSH.
JAS. STILLMAN.
F. A. VANDERLIP.

RESERVE IN BANK DEFICIT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1906.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for January 29, 1906, it is found that while there was an excess due from reserve agents over the amount which could be counted as lawful reserve, there was a deficiency of \$63,400 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribes that the reserve required to be held by banks, of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE, Deputy Comptroller

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 6, 1906.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 22d ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 21, tenth criticism of this borrower-----	\$110,000.00
Excess loan No. 6, fifteenth criticism of this borrower-----	\$100,000
Excess loan No. 6 (et al.) fifteenth criticism of this borrower -----	50,000
	150,000.00
Excess loan No. 56, third criticism of this borrower-----	142,263.75
Excess loan No. 59-----	200,000.00

Three of these loans were excessive at the time of the last examination, when you were instructed to reduce them.

The loans to Mr. ———, Mr. ———, Miss ———, and Mr. ———, which were reported as excessive at the time of the previous examination, have still the appearance of excessive loans split up into accommodation notes for amounts within the limit, the aggregate still remaining about the same. If these notes are accommodation notes made for the benefit of any one borrower, they should be included with the borrower's liability in fixing the limit, as it is unlawful to evade the statute by indirect methods.

The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., Peoples Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of.

Effort to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention herein.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

TREASURY DEPARTMENT,
 OFFICE OF COMPTROLLER OF THE CURRENCY,
 Washington, June 7, 1906.

Mr. CHARLES C. GLOVER,
 President Riggs National Bank, Washington, D. C.

SIR: Referring to office letter of the 6th instant, based upon the last report of examination of your bank, and to your personal explanation of matters referred to therein, a written reply over your signature as president will be accepted as a sufficient answer to the letter and a board reply will not be required in this instance.

Respectfully,

T. P. KANE,
 Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
 Washington, D. C., June 11, 1906.

The honorable the COMPTROLLER OF THE CURRENCY,
 Washington, D. C.

SIR: I am in receipt of your two letters of the 6th and 7th instant, relative to the report of an examination of this bank made on the 22d ultimo.

I note your mention of an excess loan to Messrs. ——— (excess loan No. 21), carried by us at \$110,000, or \$10,000 more than the present authorized limit. The loan of \$142,263.75 to ——— (excess loan No. 56) you also place in this class. The latter loan has been materially reduced since the date of the report. These loans, while adequately secured and but slightly in excess, will be placed within the limit.

It is noted also that you class as in excess the loans to ——— (excess loan No. 6), one for \$100,000 and the other for \$50,000, making a total of \$150,000. With respect to the loan of \$50,000, it may be said that Gen. Woodhull is joint maker of a note for \$50,000 along with 14 other persons, most of whom are worth considerably more than the principal of the note.

I note further that you class a deposit of \$200,000 with the ——— (excess loan No. 59) as a loan. We have an account with the ——— (excess loan No. 59), as we have with other trust companies in this city, and the amount in question represents a deposit and not a loan.

With respect to the other questions raised by your letter, I beg to say that I have called personally at your office and gone over them with the deputy comptroller. It ought to be said, however, in this reply, that the statement which is made in your letter, that the loans reported as excessive at the time of the previous examination "have still the appearance of excessive loans split up into accommodation notes for amounts within the limit," is hardly justified by the facts as explained to the deputy comptroller.

The few remaining loans that we have, secured by real estate notes as collateral, will be disposed of as rapidly as possible.

Respectfully, yours,

CHAS. C. GLOVER, President.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
 OFFICE OF THE COMPTROLLER OF THE CURRENCY,
 Washington, D. C., September 17, 1906.

Mr. C. C. GLOVER,
 President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for September 4, 1906, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$1,850 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

NOMINATION OF JOHN SKELTON WILLIAMS.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

AVERAGE RESERVE BELOW THE MINIMUM.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 23, 1906.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition on September 4, 1906, it is observed that your average reserve in bank for the 30 days preceding that date was below the per cent required by law, the average being 11.88 per cent.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank, and of that required to be held by banks of the 25 per cent class one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

Respectfully,

T. P. KANE,
Deputy Comptroller.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 1, 1907.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for January 26, 1907, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve there was a deficiency of \$40,600 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank, and of that required to be held by banks of the 25 per cent class one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 2, 1907.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Acknowledging receipt of your letter of the 1st instant, in which you call our attention to the deficiency of \$40,600 on January 26, 1907, in the amount of reserve required to be kept in the bank, I have the honor to inform you that the deficiency was made good on Tuesday, January 29.

Very respectfully,

HENRY H. FLATHER, Cashier.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 2, 1907.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have the honor to acknowledge receipt of your letter of the 1st instant, in which you invite our attention to that the report of the condition.

of this bank on March 22, 1907, shows no "legal-tender notes," and you request us to advise you if no notes of this character were held.

In reply I beg to say that we held no legal-tender notes in our cash on the date mentioned, as shown in the report.

Respectfully,

HENRY H. FLATHER, *Cashier.*

AVERAGE RESERVE BELOW THE MINIMUM.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., April 2, 1907.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition on March 22, 1907, it is observed that your average reserve in bank for the 30 days preceding that date was below the per cent required by law, the average being 11.69 per cent.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

Respectfully,

T. P. KANE,
Deputy Comptroller.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., May 27, 1907.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for May 20, 1907, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$96,900 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., July 3, 1907.

Hon. T. P. KANE,
Deputy Comptroller of the Currency,
Washington, D. C.

SIR: Replying to your letter of the 2d instant, in which you call attention to a loan of \$500,000 to the ——— Railroad Co. made by us through the National City Bank of New York, we have the honor to advise you that before the receipt of your letter this loan was paid off.

In this connection we also beg to call your attention to the fact that railroad companies during the past two or three years have been borrowing large sums of money through the issuance of temporary notes secured by deposits of col-

lateral or otherwise, and it has been our understanding that we could purchase notes of this character in amounts as desired, without running counter to the wishes of the comptroller.

Very respectfully,

M. E. AILES, V. P.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 31, 1908.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We understand that the National City Bank of New York will to-day deposit with the Subtreasury at New York the sum of \$1,389,000 in lawful money for the retirement of a like amount of its circulation.

It is to deposit also tomorrow, the 1st proximo, with the assistant treasurer at New York the sum of \$148,000 as additional retirement, making a total of \$1,535,000.

We inclose you herewith Treasurer's receipt covering \$1,535,000 United States 3 per cent bonds of 1908-1918, which please release from the circulation account of the National City Bank of New York and transfer to the depository account of that bank to effect the release of other bonds.

Respectfully,

M. E. AILES, Vice President.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, February 25, 1908.

DEAR MR. SECRETARY: I now have \$100,000 in notes of the National City Bank, held in the Office of the Comptroller of the Currency, which that bank desires to have canceled.

As I leave for New York at 4 o'clock this afternoon, I would appreciate it very much if you would see the Comptroller of the Currency about this retirement in sufficient time to let me know your decision about having the circulation retired.

I am told by Mr. Rogers, Chief of the Redemption Division, that there is no doubt as to the validity of the method, and it has been practiced by banks ever since the beginning of the national banking system. In fact, the matter is in such shape that an ordinary application to effect a retirement in this way would go through as a matter of course, except that I do not want to make any retirement of circulation which does not meet with the approval of the Secretary of the Treasury.

Since dictating the foregoing, I learn that you may not be in your office until late this afternoon. As I will be at the National City Bank, New York, tomorrow, will you kindly, therefore, have Mr. Ridgely wire me there as to your decision in this matter?

Very sincerely, yours,

M. E. AILES.

TREASURY DEPARTMENT.
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 24, 1908.

PRESIDENT THE RIGGS NATIONAL BANK,
Washington, D. C.

SIR: The report of an examination of your bank made on the 2d instant has been received and has had careful consideration.

The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 25, 1908.

Hon. T. P. KANE,

Deputy and Acting Comptroller of the Currency, Washington, D. C.

SIR: Referring to your favor of the 24th instant, we beg to say that the deficiency in our lawful money reserve of \$94,640, on the 2d instant, was due to the extraordinarily heavy demands made upon us by the collector of taxes. On the following day the amount was promptly made good as reported by the bank examiner.

As to the loans secured by real estate notes, we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

Very respectfully,

WM. J. FLATHER, *Vice President.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., July 18, 1908.

The Honorable the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We have the honor to hand you herewith our statement of condition at the close of business the 15th day of July, 1908. Your special attention is directed to the figures relating to our reserve, from which it appears that while the aggregate was 38½ per cent, yet the actual cash on hand was only 10½ per cent against the required reserve in cash of 12½ per cent. On the following day, and, in fact, ever since, we have been well above our reserve requirements in cash, but we wish to advise you that the temporary reduction in cash below the required amount was occasioned by large and excessive deposits made at the Treasury on the 15th instant, the very day to which your call related. These deposits were made for various banks on account of transfer of funds, covering the return of public deposits which the Secretary of the Treasury required to be transferred on the 15th instant.

Very respectfully, yours,

M. E. AILES, *Vice President.*

CRITICISMS BY EXAMINERS, 1908-1913.

The files of the comptroller's bureau show that in pursuance of the policy adopted in 1908 by Comptroller Murray, the practice of writing letters of criticism to national banks after each examination was suspended, and the national-bank examiners were thereafter supposed to make their criticisms direct to the officers or directors of the bank at the time of each examination without having these subjects of censure followed up by formal admonitions from the Treasury Department.

The reports of examiners submitted to the comptroller by the national-bank examiners after each examination of the Riggs National Bank, however, showed that these direct criticisms from the examiner were no more effective than letters from the Comptroller of the Currency had been. The bank continued to violate the law and the regulations of the comptroller's bureau, as is convincingly shown by the following excerpts from the reports of national-bank examiners and disclosures revealed by these reports as to the bank's operations after each semiannual examination of the bank between 1908 and 1912:

In the examination of June, 1908: Examiner Owen T. Reeves, jr., reported the bank short in reserve, \$94,640; real-estate loans and stocks unlawfully held; bank carrying loans to both vice presidents, cashier, ladies' teller, exchange teller, and note teller; also loan of \$25,000 to the wife of President Glover. The loans to the two vice presidents and the cashier at that time exceeded \$100,000. Stocks irregularly carried as cash, \$15,752; overdrafts, \$13,757; 111 accounts overdrawn.

Examination of May, 1909: Examiner Owen T. Reeves, jr., reported the bank's cash reserve short \$32,745. Bank was still making large loans to executive officers and employees, including, as analysis of list of large loans shows, "dummy" loans; still carrying stocks contrary to law; attention again called to the bank's irregular real-estate and stock-brokerage business.

Examination of November, 1900: Examiner Owen T. Reeves, jr., showed bank again short in its cash reserve; large loans to officers and employees, including "dummy" loans; stocks carried contrary to law. Examiner states in his report: "Old-fashioned methods of keeping books and accounts exists. An up-to-date system of handling loans has repeatedly been suggested by this examiner, but the officers feel the present scheme has worked well enough for a half century and balk on making any change." Stock-brokerage and real-estate business again commented upon.

Examination of June, 1910: Examiner Owen T. Reeves, jr., reported cash reserve short \$122,925; bank still lending large sums to officers and employees, including "dummy" loans; direct loans to executive officers at that time included President Glover, \$67,000, Vice President Flather, \$48,000, Cashier Flather, \$61,000—exclusive of "dummy" or concealed loans. Examiner stated in report: "As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-fashioned and sloppy. For a large and flourishing bank, it lacks all the features of system employed in well managed city banks." Bank still holding stocks unlawfully; also carrying improperly \$23,257 in stocks for customers as "cash."

Examination of November, 1910: Examiner Owen T. Reeves, jr., reported bank carrying large loans of president, vice presidents, cashier and other officers and employees (exclusive of "dummy" loans) exceeding \$436,000. Stocks still held contrary to law. Examiner again reports: "As stated in former reports, the system of keeping the books and accounts lacks all the features of a city bank. Methods are antiquated and cumbersome." Again criticises brokerage and real estate business conducted by bank's officials.

Examination of May, 1911: Examiner Owen T. Reeves, reported bank short in its reserve \$62,800. Large loans to officers and employees continue, including loans to "dummy" makers. Stocks still unlawfully held.

Examination of December, 1911: Examiner S. M. Hann reported bank short in its cash reserve \$184,630; stocks unlawfully held; large loans to executive officers; attention again called to overdrafts.

Examination of August, 1912: Examiner S. M. Hann reports bank short in its cash reserve, \$148,175; large loans to executive officers; stocks still unlawfully held; over \$70,000 due for stocks bought for customers improperly carried as "cash." Examiner reports stock certificate book not properly kept. Large amount of canceled certificates of deposit reported missing. Loans to bank's officers and directors—nearly all on bonds and stocks—\$389,640.

Examination of May, 1913: Examiner S. M. Hann reported bank lending to its president, two vice presidents and cashier, \$260,425; other direct and indirect loans to directors (exclusive of "dummy" loans) \$481,196; total, \$741,621. The bank was carrying \$23,447 of securities and real estate loans improperly as "cash," including in "cash" a \$5,000 real estate loan for President Glover (taken out during the examination). The bank had been short in its average reserve for the preceding 30 days, both as to reserve in bank and reserve with reserve agents. Examiner reported President Glover had informed him as to profits on real estate operations that the "commission or profits belong to him (Glover) and that he first began turning them over to the bank when the Riggs Bank went over into the national system."

Examiner further says: "I was also informed by Glover that in order to hold himself above criticism, he has turned over every dollar of profit to the bank." (A statement to this effect was made by Mr. Glover to the comptroller a year later, in June and July, 1914; and it was subsequently developed that over \$46,000 of those profits collected between 1897 and May, 1902, had been personally divided between Mr. Glover and certain other officers of the bank (Glover, Hyde, Johnson, et al.), disproving the statements made by Mr. Glover both to Examiner Hann and to the Comptroller. Attention is also called by Examiner Hann to \$173,003 note of J. D. Richardson, which had been the subject of constant criticism for several years. On this note the bank eventually lost \$29,468.

Examination of October 15, 1913: Examiner R. W. Goodhart reported bank short in its reserve \$207,950; and the average reserve in the preceding 30 days in the bank also sort. The examiner said—"considerable difficulty was experienced in balancing the notes due to the fact that no one man seems to have control of them. Bank was carrying improperly \$55,572 of stocks purchased, as "cash," including \$6,562.50 due from President Glover for 200 shares of American Can. Overdrafts, \$23,344 also criticized, including over-

draft of wife of President Glover of \$6,652.03. The examiner also reported violation by bank of section 5202 United States Revised Statutes on account of excessive liability for bonds borrowed by the bank. Examiner recommended that bank charge off losses and eliminate doubtful paper as rapidly as possible. At the next ensuing call for report of condition, November 8, 1913, the bank was again short in its reserve \$374,785, and also the average reserve was short during the preceding 30 days.)

It is noted that the foregoing examinations of the Riggs National aBnk between 1908 and 1913, inclusive, except the examination of October, 1913, by Examiner Goodhart, were all made by the two examiners, Reeves and Hann, whose efficiency and reliability were so highly complimented by Mr. Hogan in his testimony before the Senate committee in July, 1919. Despite the criticisms by practically every examiner, the record shows that the bank persisted in its disregard of the law and of the regulations and admonitions of the comptroller's bureau from the time of its organization in 1896 until July, 1914.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, November 11, 1913.

The BOARD OF DIRECTORS, RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: The report of the examination of your bank completed October 23 shows a reserve deficiency of \$207,980, overdrafts of \$23,344.69, and the following paper classed as doubtful by the examiner:

A-----	\$7, 150. 00
B-----	32, 948. 98
C-----	2, 700. 00
	42, 798. 98

Liability for money borrowed is as follows:

Bonds borrowed-----	\$900, 000. 09
Bonds sold under agreement to repurchase-----	1, 221, 823. 45
	2, 121, 823. 45

The examiner states it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit.

The report of condition of the bank for October 21 shows the above liability for money borrowed and a reserve deficiency of \$374,786.

The required legal reserve must be made good at once and this office advised. Liability for borrowed money must be brought within the requirements without delay, the amount of overdrafts materially curtailed, and the doubtful paper given particular attention and collected, charged off or secured beyond question of loss. The irregular items in the cash must be eliminated and the practice of carrying stock items in the cash discontinued.

The directors are requested to advise this office promptly, over their individual signatures, of the action taken to comply with these requirements.

Respectfully,

T. P. KANE,
Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., November 19, 1913.

ACTING COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 11th instant, calling our attention to various matters in connection with the report of the examination of this bank which was completed by the examiner October 23 last.

With respect to a reserve deficiency of \$207,980, you are advised that this was temporary and was occasioned, in part, by the demand at this season of the year of our southern correspondents for shipments of currency. It is our

practice to respond promptly to requests from our correspondents for cash, and occasionally it happens that such shipments involve a decrease in our cash on hand which we immediately replenish by having currency shipped to us from our northern correspondents. The deficiency noted had disappeared by October 22. A large part of the deficiency referred to, as shown by our report of condition on October 21, was occasioned by your office counting reserve against our Canal Zone deposits, which, according to the act of August 24, 1912, are required to be treated in the same manner as "other funds of the United States" and against which other funds your office does not require reserve to be maintained.

You invite attention to overdrafts of \$23,344.69. To a very large extent these overdrafts related to transactions growing out of the issuance by us of letters of credit to our customers against the deposit of collateral with us to secure such sums as they might draw against their letters. In the amount shown as overdrafts there was also included an item of some \$6,500 which should not have been reported as an overdraft, in view of the fact that the customer in this instance maintained two accounts with us, in one of which there was to his credit more than \$28,000, the other being overdrawn \$6,500.

You call attention to the following paper classed by the examiner as doubtful:

A -----	\$7, 150. 00
B -----	32, 948. 98
C -----	2, 700. 00
	<hr/> 42, 798. 98

We have classed the above items as slow instead of doubtful. None of the persons mentioned has ever failed to pay interest on the loans whenever the same was due. In the case of Mr. ———, the loan was originally for \$11,000, and has been reduced to \$7,150. Mr. ——— has given us assurance that with patience on our part he will be able to liquidate this loan either from the collateral we hold, which is said to be improving, or from other resources he may be able to command growing out of the settlement of his father's estate. Collateral against the loan to Mrs. ——— is deficient to the extent of about \$4,000, but she has always been prompt in the payment of interest, and we have been disposed to wait patiently for an improvement in the market value of the collateral held against her loan. With respect to the loan to Dr. ——— of \$2,700, we believe that his family connections are such that the loan, with patient handling, will be liquidated without loss.

In view of this statement we believe it would be more advantageous to this bank not to write off these comparatively small amounts. Our large surplus of \$2,000,000 and undivided profits account of more than \$130,000 make it a matter of small consequence to our totals whether the loans are written off or not; but in actual practice we have found we can give better attention to the collection of loans when they are carried in our live paper, for the reason that we are not so apt to lose sight of them as when they are written off.

With respect to the item of \$1,221,823.45, relating to bonds sold under agreement to repurchase, we desire to advise you fully as to the facts. We hold certain Canal Zone deposits which the authorities require us to secure by the deposit with them of such bonds as are legal investments for savings banks in the States of New York, Massachusetts, Connecticut, and New Jersey. We do not at all times own a sufficient amount of such bonds ourselves to secure these deposits, but we do own at all times a large amount of other bonds which are carried in our investment accounts, which bonds are not available for the purpose of securing the deposits mentioned above. We have, therefore, obtained from our correspondents bonds that are acceptable under the savings-bank rule and have exchanged with them, at fixed valuations, a sufficient amount of the bonds owned by us to secure them for the savings-bank bonds thus obtained. It is understood, of course, that at their option or ours they are to have their bonds back and we are to have ours back. It is really an exchange with the understanding that either party may exchange back as occasion requires. In this manner we are able to secure to the satisfaction of the authorities these Canal Zone deposits, and we trust this explanation of the matter will be satisfactory to your office.

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for

the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders, as well as in charging purchases to accounts. The item above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

Respectfully,

Chas. C. Glover, James M. Johnston, Thos. Hyde, Wm. J. Flather,
M. E. Aalles, Frank C. Henry, Joseph Paul, Henry H. Flather,
J. R. McLean, H. Hurt, C. I. Corby, Robert C. Wilkins, H.
Rozier Dulany, F. S. McKenney, R. Ross Perry.

This letter bears the signatures of all the directors with the exception of three, namely, Admiral Willard H. Brownson, who is abroad; Mr. F. A. Vanderbilt, who is in California, and Mr. S. W. Labrot, who is in New Orleans.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.

Washington, D. C., June 18, 1914.

To the board of directors of the Riggs National Bank, Washington, D. C.

GENTLEMEN: There is an account on your books entitled W. J and H. H. Flather, the cash balance now to the credit of which is \$503.98, and the following investment securities which have been purchased from time to time with money withdrawn from this account and another account, entitled Charles C. Glover and William J. Flather, are now in the bank vault, viz:

Promissory notes of

A	-----	\$500, 5 per cent, due 10 Dec., 1915.
B	-----	1,250, 5 per cent, due 20 Apr., 1916.
C	-----	500, 5 per cent, due 14 May, 1915.
D	-----	5,000, 5 per cent, due 23 Apr., 1919.
E	-----	5,000, 5 per cent, due 23 Oct., 1919.
F	-----	2,500, 5 per cent, due 19 May, 1915.
G	-----	1,000, 5 per cent, due 30 Apr., 1917.
H	-----	1,000, 5 per cent, due 14 May, 1916.
I	-----	1,500, 5 per cent, due 26 May, 1917.
J	-----	1,750, 5 per cent, due 20 May, 1915.
K	-----	1,250, 5 per cent, due 20 Apr., 1916.
L	-----	1,000, 5 per cent, due 25 Oct., 1914.
M	-----	1,000, 5 per cent, due 3 June, 1916.
N	-----	850, 5½ per cent, due 20 Dec., 1916.
O	-----	2,000, 5 per cent, due 6 Jan., 1916.
P	-----	1,500, 5 per cent, due 2 July, 1916.
Q	-----	6,000, 5 per cent, due 2 Nov., 1914.
R	-----	2,500, 5 per cent, due 26 Mar., 1917.
S	-----	1,000, 5 per cent, due 29 Nov., 1914.
T	-----	1,000, 5 per cent, due 19 May, 1915.

Total..... 38,000

Stocks: 42 shares Real Estate Title Insurance Co.; 1,757 shares Columbia Title Insurance Co.; 25 shares American Graphophone Co., common.

During the partnership of Riggs & Co., it was customary for one or more of its members to assist its customers to make investments, receiving certain compensation by way of commissions therefor, which compensation was at first credited to the commission account on the books of the firm and later transferred to the credit of the profit and loss account of the partnership. After the incorporation of the Riggs National Bank such business was continued to be done by certain of the officers of the bank acting in their individual capacities, and sums received by way of compensation on account of such transactions were passed to the credit of the accounts on the books of this bank, entitled Charles C. Glover and William J. Flather, and W. J. and H. H. Flather, which accounts commonly have been and are referred to as the "Glover and Flather" and the "Flather and Flather" accounts.

The existence of these accounts and the character of the transactions which the entries noted therein were intended to evidence, have been made known to

every bank examiner who has examined and reported upon the bank's condition, and likewise has been made known to the successive Comptrollers of the Currency and some, if not all, of the Secretaries of the Treasury in office since 1906, with the exception of the present incumbent, have been personally informed of the practice of the bank officers in this regard and no objection has at any time been made to their continuing the same.

On April 17, 1914, the account—Charles C. Glover and William J. Flather—for purposes of convenience, was closed out and its credits of every sort were transferred to the credit of the account W. J. and H. H. Flather.

Whether the officers of the bank, who in their individual capacities rendered the services which produced the revenues which passed to the credit of the above account, were entitled to receive and retain such revenues for their personal benefit, is not material, for no one of them has ever claimed or has ever intended to claim, or has ever retained or ever expected to retain any part of such revenues for his personal benefit. From time to time various amounts have been withdrawn from each of said accounts and used for the benefit of the bank, and from time to time sums have been withdrawn from each of said accounts and directly passed to the credit of the profit and loss account of the bank.

These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency, and in order that this statement may be made of record in the minutes of the bank.

Respectfully, yours,

CHAS. C. GLOVER.
WM. J. FLATHER.
HENRY H. FLATHER.

The real estate loans stated above were taken as additional collateral for loans previously made, the greater portion of which is secured by stocks and were, therefore, reported under sections B and E.

August 13, 1914.

HENRY H. FLATHER, *Cashier.*

COMPTROLLER OF THE CURRENCY,
Washington, June 9, 1914.

DEAR MR. SECRETARY: Referring to my letter of the 14th ultimo, regarding the status of the Riggs National Bank and that bank's application for a special deposit of District funds, I now beg leave to hand you with this an analysis showing the loans made by all the national banks in the city of Washington as of March 4, 1914.

From this statement you will observe that of the loans of the Riggs National Bank but little more than 25 per cent are made on commercial paper, while approximately 75 per cent of their loans are made on bonds and stocks.

The Commercial National Bank, which in the amount of money loaned ranks next to the Riggs, is lending only 37 per cent of its loans on bonds and stocks and 63 per cent on commercial paper, etc.

The bank ranking next in the amount of money loans is the National Bank of Washington, which has 47 per cent of its loans on bonds and stocks and 53 per cent on commercial paper, etc.

The examiner advises this office that Mr. Glover, the president of the Riggs National Bank, has for some years past kept a special account in the bank to cover his operations and deals in real estate, from which he has been collecting commissions on real estate loans¹ which he has been placing for depositors of the bank, the commissions going personally to Mr. Glover. This department is not advised as to whether or not the board of directors were all informed that Mr. Glover was collecting personally these commissions at the same time that he was drawing a salary of \$25,000 per annum from the bank.

The bank examiner informs me that on the 17th of April the real estate account heretofore carried in Glover's name was transferred to the name of

¹The real meaning of the "Glover and Flather" and "Flather and Flather" accounts to which the commissions attested on stocks and bonds and real estate were recorded, is more fully shown in Exhibit H, and affidavit of John Skelton Williams, Comptroller of the Currency, setting forth the testimony given by the bank's own officers, before national bank examiners, see p. —.

W. J. and H. H. Flather, and since that time the deals and operations have been conducted in their name and the commissions collected by them and appropriated for their personal benefit.

I also understand that President Glover and Vice President Flather are both members of the stock exchange, and that the two Flathers, especially, have been and are conducting a brokerage business, charging commissions on the purchase and sale of stocks. It appears that the bonds and stocks which are thus bought and sold, and the customers for whom the bonds and stocks are being purchased, are being carried by the bank, with whom the Flathers arrange the loans. The two Flathers appear as borrowers of money personally from the Riggs National Bank to the extent of \$127,300, secured by divers bonds and stocks, and nearly all of the assets of the bank have been loaned out on bond and stock collateral, not on commercial paper and not for the promotion of the commercial interests of the city and the advancement of its industries and general business.

There are, however, some large loans in the bank based on local public-utility stocks, such as gas company, street railway company, etc., and there is one loan in the bank for about \$170,000, which has been there, to a greater or less extent, for more than 10 years past, which was made to a former Member of Congress, and which is secured largely by the shares of a street railway company. The former Congressman to whom this loan is made was at one time, I understand, a member of the District Committee of the House, but this I have not yet verified, and I understand that a consolidation of the street-car lines took place while he was in Congress.

It is believed that such operations as are being carried on by Mr. Glover and the vice president and cashier of this bank are directly in violation of the provisions of the Federal reserve act.

The Riggs National Bank has been subjected to frequent criticisms by this department for the past 10 years for various irregularities, but the admonitions of the department have been persistently ignored, the bank feeling, apparently, secure and immune from drastic action on the part of the powers that were.

In April, 1904, Comptroller Ridgely called the attention of the bank to 10 loans, aggregating about \$2,000,000, all excessive. At the same time, he said to them:

"You are again reminded that the stocks of other corporations, which were acquired as investments, should be disposed of, as such investments can not be lawfully made by a national bank.

"The examiner reports 46 loans, aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised, it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

About six months later the comptroller again called attention to eight excessive loans which had been the subject of criticism at the previous examination in April, aggregating about \$2,000,000, which were still being unlawfully carried, and in repeating the instructions which had been given in April, said:

"The stock purchased as an investment by your bank should be disposed of, as it is unlawful for a national bank to purchase stock of other corporations as an investment. As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission.

"The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash-items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued.

"Loans aggregating \$99,052.65 are secured by real estate notes. These loans should be disposed of, as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate.

"There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191. U. S. R. S."

The bank persistently disregarded the instructions of the comptroller, and therefore, in May, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 52000, U. S. R. S.," giving a list of 8 or 10 loans, aggregating about \$2,000,000, which the bank had been warned against in April, 1904. In this letter the bank was again admonished as to its deficiency in reserve, and the deputy comptroller said:

"You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank."

It was again warned as to the 49 loans secured by real estate notes, carried improperly. It was also warned as to lending money on the bank's own stock.

Again, in December, 1905, the comptroller wrote as follows:

"The following loans are excessive and should be reduced to the limit prescribed by section 5200, U. S. R. S."

Then followed a list of the same loans complained of during the previous three examinations, aggregating about \$2,000,000. The comptroller said:

"With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended George T. Dunlop is not only excessive, but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay."

"Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form."

"It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations."

On June 6, 1906, the deputy comptroller again wrote the bank, calling attention to the excessive loans which had been complained of more than two years before and at each examination since that time. He also said:

"The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., People's Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of."

"Efforts to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905."

On June 24, 1908, Deputy Kane wrote as follows:

"The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times."

"Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form."

Comptroller Murray came in in September, 1908, and for the next several years, under his administration, the bank appears to have been allowed to do largely as they pleased, and few or no letters of admonition and warning were written.

At the time of the first examination under the present administration the bank was found to be carrying \$24,278 of cash items, representing largely bonds and stocks bought for customers. The bank had been running below the reserve requirements for the preceding 30 days. Vice Presidents Flather and Alles and Cashier Flather were borrowing from the bank something in excess of \$200,000, and President Glover was borrowing \$54,000. The total loans to directors aggregated about \$600,000.

At the time of the October, 1913, examination the bank was carrying irregular items as cash items, \$55,572, which it claimed were represented by stock purchased for customers and carried in cash instead of being charged to their personal accounts. The bank had at that time \$28,844 of overdrafts, including \$6,652 to Mrs. C. C. Glover. The bank's reserve on the date of this examination was deficient.

The report of the national-bank examiner made in May, 1914, shows a great improvement in the matter of the irregular practices previously complained of. Its funds, however, were still being loaned on bond and stock collateral, rather than on commercial paper, and the bank had more than its reserve on hand. There was also an improvement in the matter of overdrafts.

Sincerely, yours,

J. S. WILLIAMS.

Hon. W. G. MCADOO,
Secretary of the Treasury.

In the Supreme Court of the District of Columbia.

[Equity No. 33360.]

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C., *versus* JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM GIBBS MCADOO, SECRETARY OF THE TREASURY; JOHN BURKE, TREASURER OF THE UNITED STATES.

AFFIDAVIT OF WESLEY M. BENNETT.

DISTRICT OF COLUMBIA, ss:

Wesley M. Bennett, being sworn, says: I reside in Pittsburgh, in the State of Pennsylvania, and am an expert bank accountant connected with the Department of Justice.

Hereto attached are—

(1) Transcript of the account between H. H. Flather and Lewis Johnson & Co. from 1909 to 1914, as it appears upon the books of Lewis Johnson & Co., except that the names of the stocks that are written out in full on the books of Lewis Johnson & Co. are abbreviated in this transcript.

(2) A like transcript of the account between William J. Flather and Lewis Johnson & Co., covering the same period.

(3) A like transcript of the account between the Riggs National Bank and Lewis Johnson & Co., except that there was not time to complete the full account for the years 1910 and 1911. The 1911 account contains the debit side complete, but the credit side only partly complete up to April 7, 1911. The 1910 account could not be obtained in time.

I have had time only thus far to analyze part of the accounts of the Riggs National Bank, and I refer to the following transactions appearing upon the face of that account. The short sales among the 12 transactions are so designated in the analysis.

SHORT SALE.

1/29/12. 200 U. P., at 166-----	33,225.00	1/18/12. 200 U. P., at 167-----	33,371.00
1/29/12. 200 U. P., at 165-----	33,025.00	1/22/12. 100 U. P., at 167½-----	16,735.50
1/27/12. Check-----	742.00	1/22/12. 100 U. P., at 169-----	16,885.50
	<u>66,992.00</u>		<u>66,992.00</u>

On February 1, 1912, 100 Union Pacific bought at 162, \$16,212.50, covered by deposit; stock not delivered, but sold on February 6, 1912, at 162½, \$16,260.50, check being issued therefor.

SHORT SALE.

2/12/12. 100 U. P., at 162½-----	16,287.50	2/8/12. 100 U. P., at 164-----	16,385.50
2/10/12. Check-----	98.00		
	<u>16,385.50</u>		
2/15/12. 100 U. P., at 164½-----	16,462.50	2/15/12. 100 U. P., at 165½-----	16,498.00
2/14/12. Check-----	210.50	2/14/12. Div. 100 U. P.-----	175.00
	<u>16,673.00</u>		<u>16,673.00</u>

SHORT SALE.

2/19/12. 100 U. P., at 164½-----	16,487.50	2/16/12. 100 U. P., at 165½-----	16,510.50
2/16/12. Check-----	23.00		
	<u>16,510.50</u>		

On February 19, 1912, 100 Union Pacific bought at 164, \$16,412.50, covered by deposit; stock not delivered, but sold on February 20, 1912, for \$16,448, check being issued therefor.

1/15/12. Div. 100 W. U.-----	75.00	3/6/12. 100 U. P., at 166½-----	16,610.50
3/5/12. 100 U. P., at 164½-----	16,475.00	3/6/12. 100 N. P., at 119½-----	11,910.50
3/6/12. 100 Steel, at 68½-----	6,375.00	3/6/12. 100 Steel, at 64½-----	6,410.50
3/7/12. Check-----	131.50		
3/7/11. 100 N. P., at 118½-----	11,875.00		
	<u>34,931.50</u>		<u>34,931.50</u>

On March 18, 1912, 100 Northern Pacific sold at 121, \$12,065.50; check issued therefor under date of March 15, 1915.

4/8/12. 100 Can, at 25½-----	2,587.50	4/8/12. 100 Can, at 26½-----	2,660.50
4/6/12. Check-----	78.00		
	<u>2,660.50</u>		

On April 8, 1912, 100 Can bought at 26½, \$2,650, covered by deposit. Stock delivered April 13, 1912.

4/24/12. 200 L. V., at 166½-----	16,625.00	4/25/12. 200 L. V., at 167½-----	16,735.50
4/24/12. Check-----	110.50		
	<u>16,735.50</u>		

SHORT SALE.

8/21/12. 100 Cen. Leath., at 29½-----	2,962.50	8/18/12. 100 Cen. Leath., at 30-----	2,985.50
8/21/12. Check-----	23.00		
	<u>2,985.50</u>		

On September 9, 1912, 100 Central Leather sold at 30, \$2,985.50; settled by check.

1/30/13. 100 Can, at 39½-----	\$3,937.50	1/30/13. 100 Can, at 40½-----	\$4,010.50
1/29/13. Check-----	73.00		
	<u>4,010.50</u>		

On January 29, 1913, 200 Can received, check issued for \$7,883.50; sales being made on January 30, 1913, of 100 shares each at 39½ and 39¾; total, \$7,883.50.

SHORT SALE.

2/3/13. 100 Can, at 42-----	\$4,212.50	1/31/13. 100 Can, at 42½-----	\$4,260.50
2/1/13. Check-----	48.00		
	<u>4,260.50</u>		

On January 30, 1913, 100 Can received and check issued for \$4,285.50; sale being under date of January 31, 1913, at 43.

5/5/13. 100 Can, at 32½-----	\$3,262.50	5/6/13. 100 Can, at 33½-----	\$3,335.50
5/6/13. Check-----	73.00		
	<u>3,335.50</u>		
6/23/13. 100 Steel, at 51-----	5,112.50	6/24/13. 100 Steel, at 52½-----	5,223.00
6/23/13. Check-----	110.50		
	<u>5,223.00</u>		

In connection with the above transactions I have examined the checks and the indorsements thereon. In each case the check for the profit was made to the order of Mr. H. H. Flather and indorsed by him.

WESLEY M. BENNETT.

Subscribed and sworn to before me this 10th day of May, A. D. 1915.

[SEAL.]

F. A. COLFORD,
Notary Public.

The following letter from the Comptroller of the Currency to the Secretary of the Treasury, dated June 9, 1914, was printed as Exhibit "H" to the affidavit and answer of Hon. William G. McAdoo, Secretary of the Treasury, in the Riggs bank injunction suit:

COMPTROLLER OF THE CURRENCY,
Washington, June 9, 1914.

DEAR MR. SECRETARY: Referring to my letter of the 14th ultimo, regarding the status of the Riggs National Bank and that bank's application for a special deposit of District funds, I now beg leave to hand you with this an analysis showing the loans made by all the national banks in the city of Washington as of March 4, 1914.

From this statement you will observe that of the loans of the Riggs National Bank but little more than 25 per cent are made on commercial paper, while approximately 75 per cent of their loans are made on bonds and stocks.

The Commercial National Bank, which in the amount of money loaned ranks next to the Riggs, is lending only 37 per cent of its loans on bonds and stocks and 63 per cent on commercial paper, etc.

The bank ranking next in the amount of money loaned is the National Bank of Washington, which has 47 per cent of its loans on bonds and stocks and 53 per cent on commercial paper, etc.

The examiner advises this office that Mr. Glover, the president of the Riggs National Bank, has for some years past kept a special account in the bank to cover his operations and deals in real estate, from which he has been collecting commissions on real estate loans which he has been placing for depositors of the bank, the commissions going personally to Mr. Glover. This department is not advised as to whether or not the board of directors were all informed that Mr. Glover was collecting personally these commissions at the same time that he was drawing a salary of \$25,000 per annum from the bank.

The bank examiner informs me that on the 17th of April the real estate account heretofore carried in Glover's name was transferred to the name of W. J. and H. H. Flather, and since that time the deals and operations have been conducted in their name and the commissions collected by them and appropriated for their personal benefit.

I also understand that President Glover and Vice President Flather are both members of the stock exchange, and that the two Flathers, especially, have been and are conducting a brokerage business, charging commissions on the purchase and sale of stocks. It appears that the bonds and stocks which are thus bought and sold, and the customers for whom the bonds and stocks are being purchased, are being carried by the bank, with whom the Flathers arrange the loans. The two Flathers appear as borrowers of money personally from the Riggs National Bank to the extent of \$127,300, secured by divers bonds and stocks, and nearly all of the assets of the bank have been loaned out on bond and stock collateral, not on commercial paper and not for the promotion of the commercial interests of the city and the advancement of its industries and general business.

There are, however, some large loans in the bank based on local public-utility stocks, such as gas company, street railway company, etc., and there is one loan in the bank for about \$170,000, which has been there, to a greater or less extent, for more than 10 years past, which was made to a former Member of Congress, and which is secured largely by the shares of a street railway company. The former Congressman to whom this loan is made was at one time, I understand, a member of the District Committee of the House, but this I have not yet verified, and I understand that a consolidation of the street car lines took place while he was in Congress.

It is believed that such operations as are being carried on by Mr. Glover and the vice president and cashier of this bank are directly in violation of the provisions of the Federal reserve act.

The Riggs National Bank has been subjected to frequent criticisms by this department for the past 10 years for various irregularities, but the admonitions of the department have been persistently ignored, the bank feeling, apparently, secure and immune from drastic action on the part of the powers that were.

In April, 1904, Comptroller Ridgely called the attention of the bank to 10 loans, aggregating about \$2,000,000, all excessive. At the same time, he said to them:

"You are again reminded that the stocks of other corporations, which were acquired as investments, should be disposed of, as such investments can not be lawfully made by a national bank.

"The examiner reports 46 loans, aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

About six months later the Comptroller again called attention to eight excessive loans which had been the subject of criticism at the previous examination in April, aggregating about \$2,000,000, which were still being unlawfully carried, and in repeating the instructions which had been given in April, said:

"The stock purchased as an investment by your bank should be disposed of, as it is unlawful for a national bank to purchase stock of other corporations as an investment. As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items and the books of the bank, which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission."

"The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash-items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued."

"Loans aggregating \$99,052.65 are secured by real estate notes. These loans should be disposed of, as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate."

"There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191, United States Revised Statutes."

The bank persistently disregarded the instructions of the comptroller, and therefore, in May, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes," giving a list of 8 or 10 loans, aggregating about \$2,000,000, which the bank had been warned against in April, 1904. In this letter the bank was again admonished as to its deficiency in reserve, and the deputy comptroller said:

"You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank."

It was again warned as to the 49 loans secured by real estate notes, carried improperly. It was also warned as to lending money on the bank's own stock.

Again, in December, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes." Then followed a list of the same loans complained of during the previous three examinations, aggregating about \$2,000,000. The comptroller said:

"With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended Geo. T. Dunlap is not only excessive, but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay."

"Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form."

"It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations."

On June 6, 1906, the deputy comptroller again wrote the bank, calling attention to the excessive loans which had been complained of more than two years before and at each examination since that time. He also said:

"The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., People's Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of."

"Effort to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905."

On June 24, 1908, Deputy Kane wrote as follows:

"The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

"Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form."

Comptroller Murray came in in September, 1908, and for the next several years, under his administration, the bank appears to have been allowed to do largely as they pleased, and few or no letters of admonition and warning were written.

At the time of the first examination under the present administration the bank was found to be carrying \$24,278 of cash items, representing largely bonds and stocks bought for customers. The bank had been running below the reserve requirements for the preceding 30 days. Vice Presidents Flather and Alles and Cashier Flather were borrowing from the bank something in excess of \$200,000, and President Glover was borrowing \$54,000. The total loans to directors aggregated about \$600,000.

At the time of the October, 1913, examination the bank was carrying irregular items as cash items, \$55,572, which it claimed were represented by stock purchased for customers and carried in cash instead of being charged to their personal accounts. The bank had at that time \$23,344 of overdrafts, including \$6,652 to Mrs. C. C. Glover. The bank's reserve on the date of this examination was deficient.

The report of the national-bank examiner made in May, 1914, shows a great improvement in the matter of the irregular practices previously complained of. Its funds, however, were still being loaned on bond and stock collateral, rather than on commercial paper, and the bank had more than its reserve on hand. There was also an improvement in the matter of overdrafts.

Sincerely, yours,

J. S. WILLIAMS.

IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA.

Equity No. 33360.

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C., v. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM GIBBS MCADOO, SECRETARY OF THE TREASURY; JOHN BURKE, TREASURER OF THE UNITED STATES.

Affidavit of Wesley M. Bennett:

DISTRICT OF COLUMBIA, ss:

Wesley M. Bennett, being sworn, says: I reside in Pittsburgh, in the State of Pennsylvania, and am an expert bank accountant connected with the Department of Justice.

Hereto attached are—

(1) Transcript of the account between H. H. Flather and Lewis Johnson & Co. from 1909 to 1914, as it appears upon the books of Lewis Johnson & Co., except that the names of the stocks that are written out in full on the books of Lewis Johnson & Co. are abbreviated in this transcript.

(2) A like transcript of the account between William J. Flather and Lewis Johnson & Co., covering the same period.

(3) A like transcript of the account between the Riggs National Bank and Lewis Johnson & Co., except that there was not time to complete the full account for the years 1910 and 1911. The 1911 account contains the debit side complete, but the credit side only partly complete up to April 7, 1911. The 1910 account could not be obtained in time.

I have had time only thus far to analyze part of the accounts of the Riggs National Bank and I refer to the following transactions appearing upon the face of that account. The short sales among the 12 transactions are so designated in the analysis.

NOMINATION OF JOHN SKELTON WILLIAMS.

SHORT SALE.

1/29/12. 200 U. P., at 166--	33,225.00	1/18/12. 200 U. P., at 167--	33,371.00
1/29/12. 200 U. P., at 165--	33,025.00	1/22/12. 100 U. P., at 167½	16,735.50
1/27/12. Check -----	742.00	1/22/12. 100 U. P., at 168--	16,885.50
	<u>66,992.00</u>		<u>66,992.00</u>

On February 1, 1912, 100 Union Pacific bought at 162, \$16,212.50, covered by deposit; stock not delivered, but sold on February 6, 1912, at 162½, \$16,260.50, check being issued therefor.

SHORT SALE.

2/12/12. 100 U. P., at 162½--	16,287.50	2/8/12. 100 U. P., at 164-----	16,385.50
2/10/12. Check -----	98.00		
	<u>16,385.50</u>	2/15/12. 100 U. P., at 165½--	16,498.00
2/15/12. 100 U. P., at 164½--	16,462.50	2/14/12. Div. 100 U. P-----	175.00
2/14/12. Check -----	210.50		<u>16,673.00</u>
	<u>16,673.00</u>		

SHORT SALE.

2/19/12. 100 U. P., at 164½--	16,487.50	2/16/12. 100 U. P., at 165½--	16,510.50
2/16/12. Check -----	23.00		
	<u>16,510.50</u>		

On February 18, 1912, 100 Union Pacific bought at 164, \$16,412.50, covered by deposit; stock not delivered, but sold on February 20, 1912, for \$16,448, check being issued therefor.

1/15/12. Div. 100 W. U-----	75.00	3/6/12. 100 U. P., at 166½--	16,610.50
3/5 /12. 100 U. P., at 164½--	16,475.00	3/6/12. 100 N. P., at 119½--	11,910.50
3/6 /12. 100 Steel, at 63½--	6,375.00	3/6/12. 100 Steel, at 64½--	6,410.50
3/7 /12. Check -----	131.50		
3/7 /12. 100 N. P., at 118½--	11,875.00		
	<u>34,931.50</u>		<u>34,931.50</u>

On March 18, 1912, 100 Northern Pacific sold at 121, \$12,085.50; check issued therefor under date of March 15, 1915.

4/8/12. 100 Can, at 25½-----	2,587.50	4/8/12. 100 Can, at 26½-----	2,660.50
4/6/12. Check -----	73.00		
	<u>2,660.50</u>		

On April 8, 1912, 100 Can bought at 26½, \$2,650, covered by deposit. Stock delivered April 13, 1912.

4/24/12. 200 L. V., at 166½--	16,625.00	4/25/12. 200 L. V., at 167½--	16,735.50
4/24/12. Check -----	110.50		
	<u>16,735.50</u>		

SHORT SALE.

8/21/12. 100 Cen. Lea., at 29½- 2,962.50	8/18/12. 100 Cen. Leath., at 30- 2,985.50
8/21/12. Check ----- 23.00	
	<u>2,985.50</u>

On September 9, 1912, 100 Central Leather sold at 30, \$2,985.50; settled by check.

1/30/13. 100 Can, at 39½-----	3,987.50	1/30/13. 100 Can, at 40½-----	4,010.50
1/29/13. Check -----	73.00		
	<u>4,010.50</u>		

On January 29, 1913, 200 Can received, check issued for \$7,883.50; sales being made on January 30, 1913, of 100 shares each at 39½ and 39½, total \$7,883.50.

SHORT SALE.

2/3/13. 100 Can, at 42-----	4,212.50	1/31/13. 100 Can, at 42½-----	4,260.50
2/1/13. Check -----	48.00		
	<u>4,260.50</u>		

On January 30, 1913, 100 Can received and check issued for \$4,285.50, sale being under date of January 31, 1913, at 43.

5/5/18. 100 Can, at 32½-----	3,262.50	5/6/18. 100 Can, at 33½-----	3,335.50
5/6/18. Check -----	78.00		
	3,335.50		
6/23/18. 100 Steel, at 51-----	5,112.50	6/24/18. 100 Steel, at 52½-----	5,228.00
6/23/18. Check -----	110.50		
	5,228.00		

In connection with the above transactions I have examined the checks and the indorsements thereon. In each case the check for the profit was made to the order of Mr. H. H. Flather and indorsed by him.

WESLEY M. BENNETT.

Subscribed and sworn to before me this 10th day of May, A. D. 1915.

[SEAL.]

F. A. COLFORD,
Notary Public.

TREASURY DEPARTMENT,
Washington, August 1, 1919.

HON. GEORGE P. MCLEAN,
Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SIR: In my letter to you of the 29th ultimo I submitted, in reply to an inquiry from you, figures which show that from June, 1904, to June, 1914, the percentage of increase in the resources of the Riggs National Bank had amounted to only about one-fourth of the percentage of increase which had taken place in the same period in all the other national banks throughout the country.

In the same letter I pointed out that the Riggs National Bank had been required in 1914 by the comptroller's office to desist from their irregular and unlawful operations, and that after the officers of the bank had been required to confine their time and attention more closely to the legitimate business of a national bank, the resources of the Riggs National Bank had in the five-year period from June, 1914, to May, 1919, increased 83.29 per cent, against an increase in the resources of all the national banks in the country of 81.37 per cent.

I understand that the question has also been raised as to whether or not the increase in resources of 18.64 per cent shown by the Riggs National Bank between June, 1904, and June, 1914, was out of line with the increase shown by all the other banks in the District of Columbia for that same period.

In reply to that suggestion, I have the honor to advise you that the records give the following figures:

Against an increase in total resources from June, 1904, to June, 1914, of the Riggs National Bank of 18.64 per cent, we find that the total resources of all other banks in the District of Columbia for that same period increased 114.07 per cent, which means that the percentage of increase in resources from 1904 to 1914 of all the other banks in the District of Columbia was more than six times as great as the percentage of increase shown by the Riggs Bank during that period.

It is true that the Riggs National Bank made large earnings in those years, but those big earnings are traceable very largely or mainly to the favoritism which the bank enjoyed from the Treasury Department in various ways. The records show clearly that a large part of the dividends paid by the Riggs Bank on its capital stock from 1904 to 1914 was directly due to the large profits which the bank derived from the "grossly abnormal" proportion of Government funds placed with it without interest during those years through favoritism or the exercise of special influence.

In this connection I invite your attention to a paragraph in Secretary McAdoo's affidavit in the Riggs equity case, in which he said (p. 540 of February hearings before the committee):

"The total deposits of the plaintiff bank, exclusive of Government funds, on April 9, 1908, were approximately \$7,381,912.20. The proportion of Government funds to total deposits and to the then capital and surplus of the bank (\$900,000) was grossly abnormal and unprecedented. * * *

"During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of

the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874. The average balance of Government funds on deposit with the plaintiff bank from the time the said Alles became connected with the bank in April, 1903, until March, 1907, was \$2,018,957."

The whole record, Mr. Chairman, presents a complete and overwhelming refutation of Mr. Hogan's reckless but deliberate and brazen denial made in his testimony before your committee on the 9th ultimo (p. 99). At that time, in response to Senator Frelinghuysen's question, "Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank?" Mr. Hogan, unblushingly, and with the same disregard for the truth which had characterized his preparation of the affidavit which resulted in the indictment for perjury of three of the Riggs' officers, answered, "There is not."

I respectfully ask that this complete letter be printed in the record of these hearings as supplementary to my letter to you of July 29, 1919.

Yours, very truly,

JNO. SKELTON WILLIAMS,
Comptroller.

TREASURY DEPARTMENT,
Washington, August 8, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: In my letter to you of the 29th ultimo, I gave you a list of five of the so-called "Cooper" banks which have already become defunct. In that list was included, the Waycross Savings & Trust Co., which I had been advised by a bank examiner was in receiver's hands. The examiner now tells me that, although that bank became "utterly and notoriously insolvent," as stated under oath by N. P. Jenrette, close associate and kinsman of Wade Cooper and L. J. Cooper (p. 223, present hearings), and although the bank is closed and application made for receiver, the examiner is not advised whether or not a receiver has yet been actually appointed.

As illustrative of the deceptive methods of that particular Cooper bank, the Waycross Savings & Trust Co., I invite your attention to a letter, copy of which I have in my possession, addressed before the company failed by the secretary of that company to N. P. Jenrette, maker of the affidavit above referred to, in which the secretary said:

"We had a State bank examiner here last week, but I made that one believe we were not subject. If one who 'knows his business' comes along, I can not do it, and we will check up short the amount of that Townsend paper unless we have something else in its place. * * * To have been on the safe side, I should have let Mr. Cooper do the canceling and take the responsibility, but relying on your promise I did not 'play safe' and now I am left to be blamed if any shortage is shown on account of it. What will you do about it?"

Other documents in my possession furnish complete proof of the crookedness and utter unreliability of the Cooper clique and fully corroborate my statement heretofore made to your committee that such men are not fit to have charge of the operations of any bank.

I ask that this letter be printed in the record.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller.

LETTER FROM JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY, TO THE
BANKING AND CURRENCY COMMITTEE OF THE UNITED STATES SENATE.

REFUTING FALSE STATEMENTS MADE BEFORE THAT COMMITTEE BY THE FORMER
ATTORNEY FOR THE RIGGS BANK, WHO WAS ALSO PERSONAL COUNSEL FOR THAT
BANK'S FORMER CASHIER, WHO RESIGNED UPON EXPOSURE OF HIS FRAUDULENT
TRANSACTIONS.

"It seems to me, on the record that is made here before me now, that the Government officials would have been remiss if they had consented to permit the (Riggs) bank to act as agent for a new applicant bank, because * * *

there is evidence here of persistent violations of the law, and that they began not with Mr. Williams's incumbency of the office, * * * but they began before he came there, and there is evidence that they are continuing until this day." (May, 1915.) (Decision of Supreme Court, District of Columbia, in Riggs suit.)

"* * * I do not see how anybody can fail reasonably to reach that conclusion" (that if there was a manifestation of malice, it was on the part of the Riggs Bank) "and that if there was bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants" (the Secretary of the Treasury and the Comptroller of the Currency) "were the aggressors in the matter." (Decision Supreme Court, District of Columbia, in Riggs suit.)

"The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency; * * * ." (Decision Supreme Court, District of Columbia, in Riggs suit.)

"The court sustains the right of the comptroller to have the reports and information called for; and the right to impose fines in accordance with the provisions of the statute, if the bank shall refuse them." (Letter to the comptroller from Riggs National Bank, June 21, 1916, signed by its officers and 11 directors.)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, August 12, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: I am anxious to impress on your mind and on the committee the unmistakable fact that the Riggs National Bank had been under censure and criticism by the Treasury Department for 17 years before I entered the Government service. Much of the time of your committee was taken up listening to efforts to put me in the position of a bitter enemy persecuting an inoffensive and law-abiding institution. The truth is, the bank had violated the laws and regulations and the principles of safe banking persistently and defiantly, and was brought to order at last, after a very strenuous and, I regret to say, noisy battle. It was simply my fate to be in office when the offenses became intolerable and hope of reformation, except under pressure, had disappeared.

To submit full proof of this I take advantage of the permission you gave me at the hearing before your committee on July 29, 1919, to insert in the record a portion of the correspondence between the Treasury Department and the Riggs National Bank, which, though not filed in the case, had been originally printed in Volume III, Miscellaneous Correspondence, as an appendix to the brief of the Secretary of the Treasury, Comptroller of the Currency, and the Treasurer of the United States in the Riggs equity case.

Mr. Hogan, former attorney for the Riggs Bank, in his testimony before your committee, indicated that the comptroller's office would deprecate publication of the entire correspondence with the Riggs National Bank. His insinuation or statement to that effect is untrue and was, I believe, deliberately intended to mislead or prejudice your committee. The truth is it is Mr. Hogan, or his former client, the Riggs Bank, who now objects to having the daylight thrown upon that correspondence, not the comptroller. I refer you to page 150 of the printed hearings:

ATTORNEY HOGAN OBJECTS TO MAKING PUBLIC THE BANK'S CORRESPONDENCE WITH
COMPTROLLER.

"The CHAIRMAN. That volume of letters will be left with the committee, Mr. Hogan?

"Mr. HOGAN. Yes, sir. I do not think that volume of letters, however, should be published, because, as I say, name after name of persons having no connection with this are in it."

I venture to suggest that it was not the names of "persons having no connection with this" that prompted Mr. Hogan's eagerness to prevent that correspondence from being printed, for names which should not be given could easily be deleted. It was more probably his desire to keep from the public illuminat-

ing facts regarding the unlawful and discreditable practices of the bank and its officers, including the fraudulent operations of Mr. H. H. Flather, formerly cashier of the bank, who, acting under Mr. Hogan's advice or instructions, persistently refused to answer questions addressed to him by a national-bank examiner for fear of incriminating himself further.

BANK OFFICER REFUSES TO GIVE INFORMATION ON GROUND THAT TO DO SO WOULD INCRIMINATE HIM.

On this point I ask your attention to the language of Justice McCoy, who, in his decision, printed on page 374 of these hearings, says:

"The bank can not excuse the failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination."

Continuing, the decision further declares:

"The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports."

On May 28, 1915, National Bank Examiners Sherrill Smith and James Trimble were examining the officers of the Riggs National Bank in regard to certain irregular stock transactions between the Riggs National Bank, H. H. Flather, and Lewis Johnson & Co.

I ask your attention to the following excerpts from the stenographic report of that examination showing how Mr. H. H. Flather, acting under the advice of his personal counsel, Mr. F. J. Hogan, had refused to answer the examiner's questions on the ground that if he should do so he might incriminate himself:

"Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?"

"Mr. H. H. FLATHER. Well, do you mean by giving the orders to receiving—"

"Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

"Mr. H. H. FLATHER. I gave a good many of the orders.

"Examiner SMITH. For instance, I have a memorandum here of one item on February 8, 1913, which seems to be the sale of 200 shares of Southern Pacific and the buying in of the same amount, with a check on February 8 to the order of the Riggs National Bank for \$258.50. What would be the ultimate destination of that check?"

"Mr. HOGAN. We would have to look that up.

"Mr. H. H. FLATHER. I would have to see the check.

"Mr. HOGAN. He would have to look that up. He could not remember one transaction two years.

"Examiner SMITH (interrupting). I would rather have Mr. Flather answer it.

"Mr. HOGAN. I can not have him answer that, and I will tell you why, and give my reasons. In view of the direct charges made in this case of the Riggs National Bank versus Williams et al. by Mr. Untermeyer, Mr. Flather has looked these things up and given them to me as his counsel. They are, of course, privileged communications between myself and Mr. Flather. I will prefer to have Mr. Flather stand upon his rights with respect to the information that he gave his counsel.

"Examiner SMITH. His counsel could retain that information as privileged, but I do not see that Mr. Flather can retain it as privileged from me, and I am not asking him for the information which he gave you.

MR. HOGAN TELLS MR. FLATHER NOT TO DIVULGE INCRIMINATING INFORMATION.

"Mr. HOGAN. I shall direct Mr. Flather that all the information he has gained in the way of tracing this information up and tracing it down is privileged, and I shall direct him not to divulge it.

"Examiner SMITH. Just to make that absolutely of record I am going to ask Mr. Flather to put himself under oath, or, rather, to put Mr. Flather under oath, and ask him the direct questions about these.

"Mr. HOGAN. As a bank examiner you have a right to put Mr. Flather under oath. As Mr. Flather's attorney I shall advise him not to answer.

"Examiner SMITH. Certainly. Mr. Flather, do you solemnly swear that the answers which you make to questions propounded to you in the examination of

the affairs shall be the truth, the whole truth and nothing but the truth, so help you God?

"Mr. FLATHER. I beg your pardon. You said 'Examination of the affairs' of what?

"Examiner SMITH. Of the Riggs National Bank.

"Mr. H. H. FLATHER. I do.

"Examiner SMITH. Mr. Flather, are you cashier of the Riggs National Bank?

"Mr. H. H. FLATHER. I am.

"Examiner SMITH. And have been during the years—well, for how long?

"Mr. H. H. FLATHER. Since January, 1907.

"Examiner SMITH. Since January, 1907?

"Mr. H. H. FLATHER. Yes.

"Examiner SMITH. In the account kept by Lewis Johnson & Co. with the Riggs National Bank, under date of February 4, 1913, is shown the following transaction: 200 shares of Southern Pacific sold at the aggregate amount of \$21,221, and on February 5, 100 shares bought, and on February 10, 100 shares bought, leaving \$258.50, which was paid to the Riggs National Bank by a check of Lewis Johnson & Co. on February 8. Have you had a transcript at your disposal of Lewis Johnson & Co.'s account?

"Mr. HOGAN. You can answer that.

"Mr. H. H. FLATHER. Yes.

"Examiner SMITH. Have you looked up the details of this transaction?

"Mr. HOGAN. Of that transaction there [indicating] ?

"Examiner SMITH. Yes.

"Mr. HOGAN. Do you have any recollection of that transaction?

"Mr. H. H. FLATHER. I have not a recollection of it just now.

"Examiner SMITH. Did you or did you not look up this transaction?

"Mr. H. H. FLATHER. In the affidavit?

"Mr. HOGAN. In the Bennett affidavit?

"Examiner SMITH. I do not think it is in the Bennett affidavit.

"Mr. HOGAN. That is the only one you looked up?

"Mr. H. H. FLATHER. That is the only one I looked up.

"Mr. HOGAN. Then you can answer.

"Examiner SMITH. You have not looked this transaction up?

"Mr. HOGAN. If it is not in the Bennett affidavit.

"Examiner SMITH. No; it is not.

MR. HOGAN'S POOR MEMORY.

"Mr. HOGAN. Then he has not. You see, we cannot carry the dates in our minds.

"Examiner SMITH. I thought he might have a record of what he did look up and he could tell by looking at that.

"Mr. HOGAN. He can say about the Bennett transaction.

"Examiner SMITH. Then you have simply looked up the transactions that were in the Bennett affidavit?

"Mr. H. H. FLATHER. I looked those up.

"Examiner SMITH. Referring to the Bennett affidavit, Mr. Flather—

"Mr. HOGAN (Interrupting). Pardon me, Mr. Smith. [Addressing Mr. H. H. Flather]. Have you a copy, or will you get it?

(Mr. H. H. Flather left the room for a moment, and upon returning handed Mr. Hogan a copy of the Bennett affidavit.)

"Mr. HOGAN. Mr. Smith, I shall decline to allow Mr. Flather to answer any questions pertaining to the Bennett affidavit, or any of the items therein contained. I take the position, as one of the counsel for this bank and as Mr. Flather's personal counsel, that they have no relation to the condition of this bank, as that term is used in section 5240 of the Revised Statutes of the United States; and I will have to be absolutely convinced, first, that this is an attempt to examine into the condition of this bank for the purpose of ascertaining its condition, and, second, I will have to have assurance from proper authority of the United States Government that any information Mr. Flather gives with respect to that would be given with full immunity that it would never be used in any sort of proceedings in any court hereafter. Until that assurance is given by the authorities having the right to give it, Mr. Flather will not answer any questions about the Bennett affidavit.

"Examiner SMITH. Then he declines to answer on the ground he might incriminate himself?

"Mr. HOGAN. You heard what I said, and I have nothing to add to that."

I have heretofore, as a matter of fact, already read into the record a large part of my correspondence with the Riggs Bank, and I should be pleased to have the entire correspondence printed—for study of it will furnish further convincing evidence of the correctness of the statements and representations made by me before your committee, and will show clearly that the charges, criticisms, and complaints made by this office against the Riggs National Bank were abundantly well founded. The bank's abuses and violations of law continued through a long period of years unabated until it was finally compelled, as a result of the efforts of this bureau, to desist from the unlawful and dangerous practices and operations which it had been carrying on unrestrained during practically its entire life.

UNLAWFUL AND IRREGULAR ACTS CONTINUOUSLY CRITICIZED FOR 17 YEARS PRIOR TO TERM OF PRESENT COMPTROLLER.

The attached volume of correspondence covers the period prior to my tenure of the office of Comptroller of the Currency, and includes 38 letters of criticism addressed to the bank by comptrollers or acting comptrollers between August 20, 1896, and November, 1913, and 36 communications from the Riggs National Bank to the comptroller in the same period.

The irregularities, violations of law, and other subjects of criticism shown in this correspondence include:

1. Excessive loans.
2. Irregular and "sloppy" methods of bookkeeping.
3. Unlawful investments in stocks.
4. Unlawful brokerage operations in bonds and stocks.
5. Unlawful real estate loans.
6. Deficiency in lawful money reserves.
7. Shortage in average reserve for 30 days preceding nearly every examination of the bank.
8. Excessive borrowings by the Riggs Bank.
9. Irregular bond and stock purchases carried as "cash."
10. Overdrafts irregularly carried.
11. Omission to hold meetings of directors.
12. Failure to charge off bad debts.
13. Unpaid interest items improperly carried as "cash."
14. Loans unlawfully made on bank's own stock.
15. Improper use of "dummy" or concealed loans, etc., etc.

BANK'S OFFICERS MAKE FALSE STATEMENTS TO COMPTROLLER ORALLY AND IN WRITING.

The record also shows various false statements made by officers of the bank—sometimes in writing under oath and sometimes orally—to the examiners, obviously for the purpose of misleading and deceiving the department and to cover up unlawful or irregular operations.

The absence from the correspondence of letters of criticism from the comptroller's office to the Riggs National Bank in 1909, 1910, 1911, and 1912 is due to the custom observed by my predecessor, Comptroller Murray, of having criticisms of national banks made mainly by the examiner's direct to the bank's board of directors rather than by letters from the comptroller's office addressed to the bank and supplementary to the examiner's direct criticism to the board. It may be assumed confidently that various matters of criticism embraced in the examiner's reports to this office during that period were brought directly by the examiner to the board of directors or the bank's officers, even though the bank's unlawful practices were allowed to continue. To sustain this assumption I submit, for printing with the 38 letters of criticism above referred to, excerpts from the reports of examiners from 1908 to 1913, both inclusive, and notations of matters subject to criticism at the time of those examinations.

PRESIDENT GLOVER SQUARELY CONTRADICTED BY BANK'S COUNSEL.

The correspondence which I submit herewith also includes a letter addressed jointly by President Glover, Vice President W. J. Flather, and Cashier H. H. Flather to the board of directors of the Riggs National Bank on June 18, 1914, regarding the "Glover and Flather" and "Flather and Flather" accounts, to which were credited the brokerage profits and commissions derived

from the bank's real estate and stock business, and which have been the subject of so much controversy. In that letter these officers of the Riggs Bank assumed to explain the nature of these accounts, and in the concluding paragraph declared:

"These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency, and in order that this statement may be made of record in the minutes of the bank."

That the facts concerning the accounts of "Glover and Flather" and "Flather and Flather" were not "perfectly well known" to the directors is proved by Mr. F. S. McKenney, a director and also counsel for the bank.

In January, 1915, seven months after the date of the letter above quoted, during an examination by the national bank examiner of President Glover and Vice President W. J. Flather and Cashier H. H. Fylather he said:

"I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books. I have been a director since January 1, 1910, and never heard of the accounts until this correspondence began, and I do not believe that, outside of the officers, you will find any other directors on this board who knew anything about it, with the possible exception * * *

"Bank Examiner: You make that statement as a director of the Riggs National Bank?

"Mr. McKenney: I say that as a director of the Riggs National Bank since January 1, 1910, I never heard of the account of either Glover and Flather or Flather and Flather, up to the time of this correspondence beginning. I did not know that any such account existed."

Mr. McKenney, counsel and director of the Riggs National Bank, thus squarely refutes and contradicts the statement on this subject which President Glover, Vice President W. J. Flather, and Cashier H. H. Flather had made in that joint letter to the board of directors (which they hurriedly sought to get on the bank's minute book) after they had made to Bank Examiner Trimble various inconsistent statements shown to be untrue and contradictory, and which will be found elsewhere in this record.

Not only was Director McKenney, of counsel for the bank, deceived or misled in regard to the nature of these accounts, but the record further shows that former Senator Bailey, then acting as counsel for the bank, was also deceived by the bank's officers, as I pointed out in my letter to the Riggs National Bank of April 5, 1915, which appears in this record. In that same letter I also deemed it my duty as comptroller to direct that the record as then made be placed before the bank's board of directors, which I did in the following language:

OFFICERS INSTRUCTED TO SUBMIT LETTERS FROM COMPTROLLER TO BANK'S DIRECTORS.

"The statement made under oath by the officers of your bank at the examinations recently conducted by the national bank examiner, in accordance with section 5240 of the Revised Statutes of the United States, have been shown to have been so evasive, so contradictory, so misleading, and so untruthful that this office feels called upon to direct that this whole matter be brought forthwith to the attention of your board of directors for their consideration; and you are now directed to read this letter to your board of directors at their next meeting and also to lay before that meeting for its information the full stenographic reports of the several examinations made since January 1, 1915, by national bank examiners, of the officers of your bank."

It was in that same letter that I notified the bank in the following language that the Treasury Department would refuse thereafter to approve the Riggs National Bank as a depository for other national banks:

"Meanwhile, in view of the unsatisfactory and dangerous conditions which have come to light as a result of the investigations of your bank by this office and the national bank examiner, and in view of the unreliability of statements made by your officers, under oath or otherwise, and your long-continued defiance of the law and disregard of the instructions of this office, you are hereby notified that the Comptroller of the Currency will, until further notice, refuse to approve the Riggs National Bank as a depository for the reserves of other national banks."

Justice McCoy, of the Supreme Court of the District of Columbia, both in his interlocutory decision, rendered May 21, 1915, and in his final decision, rendered May 31, 1916, fully approved and confirmed the action of the comptroller in refusing to approve the Riggs National Bank as a depository for reserves of other banks. The language of his interlocutory decision on this point was as follows:

COURT'S OPINION THAT COMPTROLLER WOULD HAVE BEEN REMISS TO HAVE ALLOWED RIGGS BANK TO CONTINUE AS A DEPOSITORY FOR OTHER BANKS.

"It seems to me, on the record that is made here before me now, that the Government officials would have been remiss if they had consented to permit the bank to act as agent for a new applicant bank, because, I think, for the purposes of this motion, always—now, I am not passing on the ultimate merits of the case—there is evidence here of persistent violations of the law, and that they began, not with Mr. Williams's incumbency of the office (and that has another bearing, perhaps, on the question of what animated Mr. Williams), but they began before he came there, and there is evidence that they are continuing until this day; and even if the comptroller is wrong about what kind of a bank ought to have Government deposits (namely, a so-called commercial bank or stock exchange bank), even if those features were not in there, the other features of violations of the law are in there; and I should say that he was quite right in determining to take out those deposits, or at least to say that there should not be any further selection of this bank as a reserve agent.

"While we have nothing to do with the law of the case, I suppose that all judges have some right to consider matters of banking policy when they are called upon to decide legal questions. I should say that the policy of not having large deposits in so-called stock-exchange banks as compared with the amount of deposits in commercial banks was an absolutely good and sound policy, and the fact that Congress thinks so is now embodied in the Federal reserve act. This question about whether or not stocks are good, and whether or not dealing in stocks is any different from dealing in oats and grain and steers and hogs and that kind of thing, is an argument that does not need to be answered."

In denying the bank's request that the comptroller be enjoined from refusing to designate the Riggs Bank as a depository for the reserves of other national banks, Justice McCoy, in his decision, handed down May 31, 1916, also said:

"It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him 'from refusing to approve the plaintiff bank as such a depository' can mean nothing unless it be to require the comptroller to approve, and there being no specific instance of an application pending, it amounts to asking the court to compel the comptroller to approve of any application. To state the request as thus analyzed is to show that it can not be granted."

LETTERS AND REPORTS SHOWING BANK'S VIOLATIONS OF LAW FOR 17 YEARS ACCOMPANY THIS LETTER.

The letters of criticism to the Riggs National Bank presented herewith include many lists of "excessive loans" made by the bank unlawfully to numerous borrowers. Out of consideration for these borrowers I have, with your approval, as suggested at the hearing on the 29th ultimo, deleted the borrowers' names and substituted numerals for names in the order in which the excessive loans appear in the correspondence. Where the same loan has been criticized more than once there is placed after the numeral indicating that particular borrower a dash (—) with another numeral indicating the number of times, up to the date of the letter of criticism, that loans to this particular borrower have been criticized by the comptroller's office as excessive. For example, if attention is directed to an excessive loan to John Smith and John Smith happens to be the fourth borrower whose excessive loans had been criticized by the examiner, and his loan had been up to that time criticized in seven different letters from the comptroller's office to the bank, this item of criticism is indicated thus:

"Excessive loan No. 4—seventh criticism of this borrower."

BANK LOSES \$29,468 ON LARGE LOAN CRITICIZED SEVEN TIMES BY PREVIOUS COMPTROLLERS.

The bank's persistent disregard of letters of criticism from the comptroller's office and the ensuing loss to shareholders are clearly shown by this record. For example: "Excess loan No. 39" for \$243,169 was criticized in the comptroller's letter to the bank on December 1, 1905 (eight years before I was connected with the Treasury), for the seventh time, and when it was eventually closed out the bank sustained a loss of \$29,468. It is a serious question whether the officers of the bank should not be held responsible for that loss. This loan, or the larger part of it, was still in the bank and under criticism when I began my investigation in July, 1914. It was mainly secured by stock of a local traction company in which the president of the bank had been heavily interested, and the stock certificates were in Mr. Glover's name. He gave the examiners different explanations for this—one that his influence in the company was thereby increased, the other that putting the borrowers' stock in Mr. Glover's name facilitated dividend collections. Excessive loan No. 18 for \$159,384 was criticized in the comptroller's letter of December 1, 1905, for the thirteenth time, covering a period of nearly seven years, and the loan was growing steadily larger during those years.

"DUMMY" OR CONCEALED LOANS "CARRIED FROM ONE BOOK TO ANOTHER FOR A GOOD MANY YEARS."

I also ask your consideration to the following list of loans which Examiner S. M. Hann reported the bank as having made to its officers and directors at the time of the examination of May 23, 1913: C. C. Glover, president, \$54,000; W. J. Flather, vice president, \$71,925; H. H. Flather, cashier, \$63,500; M. E. Alles, vice president, \$71,000; straight loans to other directors, \$387,000; indirect liabilities of other directors, \$113,656. Total loans, direct and indirect, but exclusive of "dummy" loans to officers and directors, on May 15, 1913, \$761,631. This total is exclusive of \$43,000 of concealed or "dummy" loans then outstanding made by the bank for the benefit of its vice president and cashier. A "dummy" loan for \$86,000 to President Glover was made in April, 1914, on the note of one of the clerks of the bank to facilitate a real estate transaction and was paid three days before the next examination.

The clerk in the bank who had been used as a "dummy" for President Glover has declared, as shown on page 694 of the present hearings, in regard to the bank's "dummy" or concealed loans:

"We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years."

EXAMINER REPORTED OVER \$800,000, OR MORE THAN 80 PER CENT OF RIGGS CAPITAL, LOANED OFFICERS AND DIRECTORS, PARTLY ON "DUMMY" LOANS.

At the very time of Examiner Hann's May, 1913, examination, to which Mr. Hogan has appealed as furnishing evidence of the bank's scrupulous management and sound methods, over \$805,000 of the bank's capital was being loaned, directly and indirectly, to the bank's active officers and directors. Over \$300,000 of this amount was being borrowed by the bank's president, its two vice presidents, and its cashier, partly on "dummy" loans, for their speculative and stock-market operations. This means that over 80 per cent of the bank's capital was at the time of Mr. Hann's examination being borrowed from the inside, largely—especially as to loans to its officers—on fancy stocks and securities of a highly speculative character.

After the officers of the bank, as a result of criticism from this office, had largely eliminated their loans from their own bank, the bank examiner reported to the comptroller that these officials had not really liquidated those loans, but had simply transferred them to other banks. This is discussed in my letter to the Riggs National Bank of March 30, 1915, in which I said:

FOUR OF RIGGS EXECUTIVE OFFICERS BORROWING \$750,000 FROM AFFILIATED BANKS AND TWO LOCAL TRUST COMPANIES.

"It is instructive, though not reassuring, just here to point out that these payments were largely made by transferring the loans of your officers to other national banks and to some of the trust companies of the District. The reports

of national bank examiners to this office indicate that the money being borrowed at a recent date from national banks and from trust companies of the District by four of the senior and junior active officers of your bank amounted to more than \$750,000.

BANK'S OFFICERS WERE SPECULATING ACTIVELY IN STOCK MARKET.

"These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees, and by two of the local trust companies, and were secured mainly by stocks and bonds, many of the stocks decidedly speculative, such as Greene-Cananea Copper, Lanston Monotype, Nevada Consolidated Copper, Missouri, Pacific Railway, American Can, common; Reading, common; B. & O., common; United States Steel, common; Pacific Gas & Electric Co., common; Wabash 4s; Pacific Coast 2d preferred; United States Rubber, preferred; Intercontinental Rubber, common; Pittsburgh Coal, preferred; Washington Railway & Electric; Seaboard Air Line, preferred; Southern Railway, preferred; Utah Copper and Washington Utilities stock; and there was hypothecated in these loans nearly all of the stock of the Riggs National Bank owned by the borrowing officers.

RIGGS BANK UNDER CONTINUOUS CRITICISM FROM 6 COMPTROLLERS AND 10 EXAMINERS.

The bank was examined usually twice a year, and during the whole period, from its inauguration in 1896 until its unlawful operations were checked by the present comptroller, it had been criticized at the time of practically every examination by 6 successive comptrollers and 10 different national bank examiners. It continued, however, as I have shown you, its defiance of the law and its persistent disregard of the admonitions and criticisms of the Comptroller's Office until finally restrained through the efforts of this administration in 1914 and 1915.

I have also taken the liberty of including with these letters a letter which I wrote to Secretary McAdoo on June 9, 1914—the day which Mr. Hogan has fixed as the beginning of this controversy—in which I brought to the attention of the Secretary of the Treasury the conditions then existing in the Riggs National Bank, to which my attention had just been called by the national bank examiner. That letter, I believe, was submitted to the court in the Riggs Equity case as Exhibit H to the affidavit and answer to Hon. William G. McAdoo, Secretary of the Treasury. It presented a clear, though incomplete, picture of conditions in the Riggs bank and its methods of operation as disclosed at that time.

AFFIDAVIT WHICH RESULTED IN INDICTMENT OF C. C. GLOVER, H. H. FLATHER, AND W. J. FLATHER FOR PERJURY. ABOUT 6,000 STOCK TRANSACTIONS BETWEEN RIGGS BANK AND TWO BROKERAGE FIRMS UNCOVERED DESPITE BANK'S DENIAL AND AFFIDAVIT.

I also desire to introduce into this record the affidavit which Messrs. C. C. Glover, W. J. Flather, and H. H. Flather, president, vice president, and cashier, respectively, of the Riggs National Bank, submitted in the Riggs Equity case, in which they declared that the Riggs National Banks had not been buying and selling stocks, although the bank examiners in their investigation for a few years prior to June, 1914, had brought to light about six thousand (6,000) such transactions with Lewis Johnson & Co. alone were uncovered by the examiners.

"In the Supreme Court of the District of Columbia.

"Filed May 20, 1915, J. R. Young, clerk.

"The Riggs National Bank of Washington, D. C., v. John Skelton Williams, Comptroller of the Currency; William Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States. Equity No. 33360. (Seal.)

"**AFFIDAVIT OF CHARLES C. GLOVER, WILLIAM J. FLATHER, AND HENRY H. FLATHER.**

"Charles C. Glover, William J. Flather, and Henry H. Flather, being first duly sworn, on oath say that they are, respectively, the president, one of the vice presidents, and the cashier of the Riggs National Bank; that they have

been connected with that institution since the first day of its organization as a national banking association; that the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time from its organization to the present ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false; these affiants, on information and belief, say that an examination of the books of Lewis Johnson & Co. since that firm was declared bankrupt has shown many fictitious accounts, and the use of many accounts for the false entries of alleged transaction.

"CHARLES C. GLOVER.

"WILLIAM J. FLATHER.

"HENRY H. FLATHER,

"Subscribed and sworn to before me this 19th day of May, A. D. 1915.

{SEAL}

"BESSIE B. SHEEHY,

"Notary Public, D. C."

The above affidavit resulted in the indictment of C. C. Glover, W. J. Flather, and H. H. Flather for perjury; but they were acquitted after Frank J. Hogan had taken the stand and had testified that the affidavit had been drawn by him as their counsel and had been signed by them at his instance. In the preparation of that affidavit Mr. Hogan had shown the same unscrupulous contempt for truth and facts which he recently displayed in his testimony before your committee.

In contrast with the bank's denial of its dealings in stocks, I here ask you attention to the bank's newspaper advertisements as to its business in stocks, referred to by Mr. Adkins in his testimony before this committee (p. 327) and to the following extract from a letter from the bank to the comptroller, dated November 19, 1913, admitting its stock business and "our purchases for customers," etc., in which the bank stated over the signature of its officers, Messrs. Glover, M. E. Alles, W. J. Flather, and H. H. Flather, and 11 other directors—Messrs. Johnson, Hyde, Henry, Paul, McLean, Hurt, Corby, Wilkins, Dulany, McKenney, and Perry, that—

"With respect to the statement of the examiner that it is the practice of the bank to carry items of *stock purchased for customers* in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part *our purchases for customers* are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once and we have met with some small delays in completing orders as well as in charging purchases to accounts. The item above mentioned was largely caused by the absence of one of our important *customers* in Jamaica at the time his order was executed. In the future *we* will endeavor to avoid carrying these items in cash by making prompt charges against *customers'* accounts." (Italics mine.)

EVIDENCE FURNISHED SHOWED CASHIER FLATHER SYSTEMATICALLY DEFRAUDED BANK'S CUSTOMERS ON STOCK TRANSACTIONS.

I also hand you with this a copy of the affidavit of Wesley M. Bennett, which was filed in the Riggs equity case and which illustrates the methods by which the customers of the Riggs Bank were defrauded by its former cashier, Henry H. Flather, on orders placed with the bank for the purchase and sale of bonds and stocks.

I also hand you with this copies of notices relating to purchases and sales of stocks passing between the now defunct firm of Lewis Johnson & Co. and the Riggs National Bank and H. H. Flather, cashier of the bank; also copies of checks delivered by Lewis Johnson & Co. to H. H. Flather, bearing Flather's indorsement and cashed by him, which were filed in court with the Lammond affidavit, but not printed with that affidavit, and which (see p. 659, printed hearings) I was given permission to introduce into the record. The exhibits are numbered A to Z-4.

BANK DESTROYS INCRIMINATING EVIDENCE, THOUGH HOGAN FALSELY DECLARES TO SENATE COMMITTEE BANK HAD NEVER DONE SO.

When the national bank examiners were investigating the irregular stock transactions between the Riggs National Bank and the firm of Lewis Johnson

& Co. they put President Glover, Vice President Flather, and Cashier Flather under oath and questioned them in regard to those purchases and sales. The following extracts from the testimony given by these officials at the examination on May 28, 1915, show the evasive character of their answers, and also show that these officers tried to excuse themselves from submitting certain papers and documents needed to explain those irregular transactions on the ground that the papers had not been kept, but had been destroyed by the bank:

"Examiner SMITH. Mr. Glover, I want to find out, either from you or from the other officers of the bank that may have the details in charge—I want to get the record of the stocks purchased and sold through Lewis Johnson & Co. from the years 1906 to 1913, when the account was closed, the commissions which part of the time went into commission account, I believe, and after that into Glover and Flather.

"Mr. GLOVER. Yes?

"Examiner SMITH. Has the bank got such a record?

"Mr. GLOVER. I do not think so. A committee has been appointed——

"Mr. HOGAN (interrupting). Wait a minute. Do you know whether the bank has such a record?

"Mr. GLOVER. No; I do not know that they have. I think they have not, but I do not know.

* * * * *

"Examiner SMITH. I want access to any of the books of the bank first, and instead of just simply having the officers say the books are all within these four walls I want to find out what books the various items are kept on.

"Mr. HOGAN. We will have to ascertain for you whether or not there are any books kept of those transactions.

"Examiner SMITH. I am asking that question of Mr. Glover.

"Mr. HOGAN. Mr. Glover does not know himself, as I understand you?

"Mr. GLOVER. No; I do not; at least I have no knowledge on that point.

"Examiner SMITH. Then suppose we ask both the Mr. Flathers to come in, so I can find out?

* * * * *

"Mr. HOGAN. Mr. Flather, Mr. Smith wants to know if there is any book kept in the bank or any books kept in the bank in which there were entered a record of any of the transactions of purchases of stock or anything else with Lewis Johnson & Co.

"Mr. W. J. FLATHER. Let me understand this, just what the question is?

"Mr. HOGAN. Are there books, or did the bank keep any books, in which they entered the transactions—did the bank or its officers or anybody connected with it keep any books in which were kept a record of the purchases of stock which you made?

"Mr. W. J. FLATHER. We have an order book there. Is that what you refer to?

"Examiner SMITH. That would contain orders and sales?

"Mr. W. J. FLATHER. That would contain orders and sales.

"Examiner SMITH. Orders and sales?

"Mr. W. J. FLATHER. Yes; purchases and sales.

"Examiner SMITH. That book has been kept all——

"Mr. W. J. FLATHER (interrupting). I do not know how long it was kept.

"Mr. HOGAN. It will show for itself.

"Examiner SMITH. He said there is a book, and I was going to ask if there was one or several?

"Mr. W. J. FLATHER. There is a book in which the orders for the purchase and sale of stocks and bonds have been entered. Is that what you want to know?

"Mr. HOGAN. Yes; there is such a book?

"Mr. W. J. FLATHER. Yes; there is such a book.

"Mr. HOGAN. Are there more than one of that kind?

"Mr. W. J. FLATHER. Yes; I think there are. I think there are two books, are there not?

"Mr. GLOVER. I don't know.

"Examiner SMITH. That is, two books or probably three? I mean a book like that has been kept continually for the purpose of recording purchases and sales or orders, as you call them?

"Mr. W. J. FLATHER. Yes; which have been kept. I can not say that that is a complete book, Mr. Smith.

"Mr. HOGAN. Is that all you have?

"Mr. W. J. FLATHER. It is all we have.

* * * * *

"Examiner SMITH. How about—I will address this remark generally, because I do not know—or I can ask each separately. How about the confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co.? Are those filed?

"Mr. W. J. FLATHER. Filed, you say?

"Examiner SMITH. Yes.

"Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle, as other orders for drafts and the like of that. There may be some of them in the office. I do not know.

"Examiner SMITH. Do you mean—

"Mr. W. J. FLATHER (interrupting). They were not kept for any time.

"Examiner SMITH. Not kept at all, you mean?

"Mr. W. J. FLATHER. No; they were not considered of any value.

"Examiner SMITH. Were they just—

"Mr. W. J. FLATHER (interrupting). They were put on the spindle, and from time to time, like other waste paper, they were thrown away.

"Examiner SMITH. They were never permanently filed?

"Mr. W. J. FLATHER. No.

"Examiner SMITH. So there is no complete file of them?

"Mr. W. J. FLATHER. No, sir.

"Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?

"Mr. H. H. FLATHER. Well, do you mean by giving the orders or receiving—

"Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

"Mr. H. H. FLATHER. I gave a good many of the orders."

This furnishes only cumulative evidence of Mr. Hogan's complete disregard of truth. The record shows that the purchases and sales notices which were sent to the bank and which the bank destroyed were in the name of the Riggs National Bank and addressed to the bank as such. The purchases had been made by Lewis Johnson & Co. for the bank and credited by the bank on the passbook of Lewis Johnson & Co., and the brokerage firm paid the bank by check for the proceeds of the sales of the stock as sold.

On page 118 we find the following statement was made before your committee by Mr. Hogan on July 10, 1919.

MR. HOGAN'S FALSE AND SWEEPING DENIAL.

"I want to say, while I am looking for this, that during the entire existence of the Riggs National Bank none of its records were ever destroyed. No one had ever intimated that any of its records had been or would be destroyed. There was never any reason for destroying its records."

Mr. Hogan's foregoing statement is proved by the testimony of the bank officials quoted above to have been untrue—and was knowingly false—for Mr. Hogan had been present in May, 1915, when the officers of the bank excused themselves from producing those notices reporting the purchases and sales of stocks on the ground that they had been destroyed—in fact, Mr. Hogan had prompted or directed these officers in their replies during their examination.

Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank.

RIGGS BANK'S LEADING OFFICERS WERE SPECULATING ACTIVELY IN STOCKS WITH BANK'S MONEY, ASSISTED BY THREE PRIVATE WIRETS TO BROKERS' OFFICES AND USE OF "DUMMY" LOANS; CASHIER WAS SWINDLING BANK'S CUSTOMERS,¹ AND OTHER EMPLOYEES WERE EMBEZZLING LARGE SUMS AND FORGING SIGNATURES OF ITS DEPOSITORS TO CHECKS.

While, as the record shows, the cashier of the bank was speculating actively with the bank's funds and defrauding the bank's customers in the execution of

¹ See testimony of United States district attorney, pp. 388-391, hearings before Senate committee.

orders; while Mr. Glover, the president, and other officers were also speculating in the stock market, assisted by the three private wires connecting the bank's executive offices with different stock-brokerage concerns, and while the president, the vice president, and the cashier of the bank were making indirect or "dummy" loans in the names of the bank's clerks and outsiders, to facilitate their real estate and stock market operations, and while these officials were also borrowing large sums directly from the bank and also from other affiliated institutions, we find that the junior officers and clerks of the bank, emulating the examples set them, were also speculating in the market. The record discloses two embezzlements in the bank—in one case—\$7,250 by a note teller, which had been going on in that demoralizing atmosphere for six or eight years prior to 1914, and another case, more recent, for \$28,872; the same embezzler also forged the signature to a check of one of the bank's customers for an additional sum of \$20,000.

Mr. Chairman, in fairness to many of the directors of the bank, allow me to say in conclusion that it is my opinion that probably a majority of the men who were directors of the Riggs National Bank at the beginning of my examination of that institution in 1914—other than its four principal officers—were not cognizant of its unlawful and reprehensible operations, and probably knew no more about them than Mr. McKenney, director and counsel for the bank, knew of those brokerage and commission accounts known as "Glover and Flather" and "Flather and Flather," of which he said: "I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books," thus flatly contradicting Mr. Glover, who in his letter, to which I have already referred, had said to his fellow directors concerning these same accounts: "These facts are each and all doubtless perfectly well known to you."

OF 15 DIRECTORS IN 1914 (OTHER THAN OFFICERS) ONLY 3 SURVIVE ON PRESENT BOARD.

Of the 18 men who were directors of the Riggs National Bank in the summer of 1914, when the investigation began, 5 are dead. One, a director, who was also the senior counsel of the bank, died under peculiarly tragic circumstances during the investigation. Seven others have resigned or retired. One of these, who was also cashier of the bank, was forced off the board for swindling the bank's customers, so that of the 15 directors serving in June, 1914, exclusive of the officials, Messrs. Glover, Ailes, and W. J. Flather, only 3 survive on the present board.

I have no way of knowing whether members of your committee gave to Mr. Hogan's statement any credence at all. Judging by myself, however, I know it is difficult for any man accustomed to dealing with fairly honest men to suppose that an intelligent witness assuming solemn obligation in a serious matter and before a responsible body, would deliberately make reckless, false statements. Therefore I assume it is necessary for me to impress on you the fact that Mr. Hogan did make such statements, and made them repeatedly, and I will now give you proof that he did.

HOGAN DELIBERATELY MISEPRESENTS TO SENATE COMMITTEE THE DECISION IN RIGGS CASE.

In his testimony, page 54, is this paragraph:

"When the judge rendered his opinion, with that accuracy and intelligence which ordinarily characterizes the press, it had sent out the report that the Riggs Bank had won, as it had on every single, solitary question which was before the court—every one."

If he had inserted the word "agent" after "press," his tribute to the "intelligence and accuracy" of that unhappily familiar means of reaching the public ear would have been very fine sarcasm. He has told before your committee that Mr. George G. Hill, author of the venomous attacks on the Treasury Department in connection with the embarrassed trust company (which were published in the New York Tribune and vised by an official of the Riggs Bank), was taken into the employment of the Riggs Bank as its press agent for the purpose of the trial immediately after his separation from the Tribune.

WHERE PRESS MAY HAVE GOTTEN ITS FALSE CONCEPTION OF COURT'S DECISION.

The press, for the moment, may have accepted Mr. Hill's "intelligent" interpretation of Judge McCoy's decision. It is possible that Mr. Hill derived from Mr. Hogan himself the view which Mr. Hogan now quotes as an illustration of intelligence and accuracy—the same variety of "intelligence and accuracy" which governed Mr. Hogan in drawing the affidavit which caused his clients to be indicted for perjury and required for their acquittal his assumption of responsibility and their confession of childlike confidence in his guidance.

Your committee is invited, however, to contrast with Mr. Hogan's tribute to the press the actual language of the court's decision. The Riggs National Bank, in its suit, charged the Secretary of the Treasury and the Comptroller of the Currency with conspiring to injure that bank. It denied the right of the Comptroller of the Currency to call for certain special reports which had been demanded regarding the bank's operations, etc. The refusal of the bank to furnish one of these reports had resulted in the assessment of a fine of \$5,000, and the bank asked that the collection of that fine be enjoined, not on the ground that the bank had been requested to furnish the information over the signatures of more of its officers than the statute specified, but on the ground that the comptroller had no right to call for the report.

A SMALL TECHNICAL QUESTION WAS ONLY POINT IN BANK'S FAVOR IN ENTIRE DECISION.

The only point decided in favor of the bank in the entire decision was the judge's conclusion that, as the comptroller had directed that the special reports should be furnished over the signature of the president and cashier and certain other officers of the bank instead of over the signature of the president or cashier, attested by not less than three directors, the comptroller could not assess the penalty of \$100 per day provided by statute, on reports previously called for, and on account of the refusal to furnish which the \$5,000 fine had been imposed. But the court's decision declared clearly that if the bank should at any time refuse to furnish any of the reports called for by the comptroller, signed as provided by statute, the bank would be subject to the continuing penalty of \$100 per day for each refusal. The exact language of the court on this point was:

"* * * therefore it must be held in this case that the comptroller, having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with the demands which he made."

The court also said (p. 370):

"When a report which relates to the affairs of a bank is called for by a comptroller he should not be required to come into court, and before being permitted to proceed with the inquiry to show to the court all the facts and circumstances which have come to his knowledge in a large and important bureau of the Government on which he is authorized to act, thereby rendering it impossible, perhaps, for the comptroller to save a failure or serious loss, or to apply corrective measures to remedy a situation having in it elements of danger, unless beyond a reasonable doubt practically it can be said that the information is not necessary.

"The actions of the comptroller, on the basis of which specific charges are made to the effect that he was acting in excess of his powers, examined in the light of the views above expressed, must be upheld as lawful."

BANK'S OFFICERS AND DIRECTORS ADMIT COURT SUSTAINED COMPTROLLER'S RIGHT TO ALL REPORTS CALLED FOR WHICH BANK REFUSED TO FURNISH.

As against Mr. Hogan's brazen claim that the bank had won on "every point" before the court in the equity suit I invite your attention to the statement made by the bank itself in its letter to the Comptroller of the Currency of June 21, 1916, in which the Riggs National Bank frankly admitted, over the signature of its president, both vice presidents, cashier, assistant cashier, and 11 directors: "The court sustains the right of the comptroller to have the reports and information called for, and the right to impose fines in accordance with the provisions of the statute, if the bank shall refuse them."

I have heretofore given you the language of the court declaring emphatically that there was no evidence of conspiracy or malice on the part of the Secretary of the Treasury or the Comptroller of the Currency and expressing the opinion that if there was malice it was on the part of the officers of the bank.

I shall now ask your attention to the following verbatim excerpts from the decision, showing clearly that the Comptroller of the Currency was justified in each and every demand which he made upon the bank, save only the technical question relating solely to the signatures to the report.

Justice McCoy, in the decision, reviewed the whole case at considerable length, quoting numerous decisions of the Supreme Court of the United States in support of his positions. Each of the Riggs Bank's contentions was dealt with and disposed of conclusively.

I invite your consideration to the language of the court:

COURT DECLAREN BANK'S CHARGES AS TO MALICE AND BAD FAITH OVERWHELMINGLY
"MET AND OVERCOME."

In opening the decision the court said:

"The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency; consequently, the motion for preliminary relief was denied except in so far as it made necessary a consideration of the question of the powers of the comptroller to call for special reports from banks."

The various contentions of the bank are then taken up by the court and disposed of one by one.

TEXT OF COURT'S DECISION PROVES GROSS FALSITY OF ATTORNEY HOGAN'S CLAIMS.

1. *Right of the comptroller to information called for June, 1914, at beginning of controversy.*—"The information called for by the comptroller in regard to the list of loans in excess of \$5,000 secured by collaterals should have been furnished. The contention is made that he made a demand that the information be given 'at once,' but that fact can not be clearly ascertained from reading the paragraph, and it rather appears that when the comptroller said that he wanted the information at once it was merely an answer to the suggestion of the officers of the bank that they would take the matter up with the board of directors." (P. 370.¹)

2. *Demand for information regarding private wires to brokers' offices "eminently proper."*—"The demand to be informed whether or not the plaintiff was maintaining a private telegraph wire connected with stock-brokerage houses in New York was an eminently proper inquiry, but so was that set forth in the fifteenth paragraph of the bill, as it related to expenditures being made at the time by the bank." (P. 370.¹)

3. *Bank was wrong in refusal to give information regarding "Flather and Flather" private accounts.*—"It is stated that the comptroller demanded that certain officers of the bank express an opinion as a matter of law to the best of their knowledge and belief as to who was the owner of a certain account standing in the name of 'Flather and Flather.' The allegation is that the comptroller was informed of every fact respecting this account, amount thereof, source of funds credited to the account, and the use from time to time made of those funds was fully and repeatedly stated to the comptroller. Two officers of the bank at the time bore the name of Flather. If the bank knew as much about the account as the allegation indicates, the court will not assume that under those circumstances it was unreasonable to call for an expression of the knowledge and belief of the officers of the bank as to whom, between the bank and the persons named as depositors, the funds really belonged. Possibly, if all facts in regard to the account which, as the bill says, were stated to the comptroller has been stated in the bill for the information of the court, a different conclusion might be reached; but the comptroller did not have the facts stated, and having them may well have been justified in asking for the best of the knowledge and belief of the officers as to the ownership of this account, which is not calling for an opinion on a question of law." (P. 370.¹)

4. *Time allowed bank by comptroller for furnishing reports approved by court.*—"Certain reports were called for and a time longer than five days was

¹ Reference is to page in present printed hearings.

specified for some of them. It is not obvious why the bank should complain of the giving of a longer time. The paragraph also states that compliance was physically impossible, but it is not alleged that any effort was made to get an extension of time, nor does it state what the demands were, so as to permit the court to form any opinion as to whether there was anything objectionable in the demand." (P. 370.¹)

5. *Comptroller's demand for information regarding loans to Treasury officials approved.*—"There was a demand for information in regard to loans made by the plaintiff, directly or indirectly, to Secretaries of the Treasury and Assistant Secretaries of the Treasury of the United States, to Comptrollers of the Currency, to national-bank examiners, and to employees of the comptroller's office. The demand certainly can not be considered an improper one, especially if any officers of the bank have been officers since its organization, to which time reference is made in the demand and the facts in that regard should be fully stated." (Pp. 370-371.¹)

6. *Calls for special reports regarding commercial paper "clearly proper."*—"The demand for information in regard to commercial paper being carried by plaintiff was clearly proper, relating, as it did, to the assets of the bank." (P. 371.¹)

7. *Bank's complaint regarding special report concerning Government bonds not supported.*—"The details of the demand for a special report in regard to United States bonds shown in the regular report of the bank are not sufficiently set forth to enable the court to determine what is complained of." (P. 371.¹)

8. *Calls for reports regarding shares held by directors approved.*—"The gist of one of the charges seems to be that the comptroller made calls on a certain national bank other than the plaintiff and a certain trust company in which officers of the plaintiff were directors and that he disregarded the fact that while a national bank director is required to own 10 shares of stock, directors of trust companies are under no such requirement. The comptroller has a right to make an inquiry in regard to ownership of stock by the directors of a bank, and it does not appear what his demand for information in regard to the ownership of stock in trust companies has to do with this case unless it be to show the malice charged, but the facts are not set forth fully enough to enable the court to take any action based upon the alleged improper conduct of the comptroller. Moreover, the comptroller has the same powers over trust companies in the District of Columbia as he has over national banks. Code, sec-penditures * * *." (P. 371¹)

9. *Bank's objection to employment of special examiners not sustained.*—"The paragraphs of the bill contain allegations that the defendant Williams said that he would not believe the statements of the plaintiff's officers; that certain lengthy examinations were made by bank examiners, and that a bank examiner was brought from without the jurisdiction of the District of Columbia and made a long examination of the plaintiff's officers, are not statements of facts entitling plaintiff's to relief." (P. 371.¹)

10. *Comptroller's demand for printed copies of correspondence justified.*—"The comptroller rightly asked to be informed in regard to the expenditure of money for printed copies of the correspondence, and for the other information on that matter in order to enable him to determine the propriety of those expenditures * * *." (P. 371.¹)

11. *Comptroller right in asking whether any of plaintiff's books or records had been destroyed.*—"The court also declared that the comptroller was right when he called on the bank to inform him "as to whether or not any of the plaintiff's books or records had been destroyed." (P. 371.¹)

12. *Comptroller's demand for information in regard to "dummy" or other loans to officers and employees was rightly made.*—"The circumstances surrounding the demands for the failure to comply with which the penalty of \$5,000 was assessed are fully set forth above. That demand was twofold: First, for information in regard to all direct loans made by the bank to certain of its then officers, and, second, for information in regard to all indirect or dummy or concealed loans made since the organization of the bank for the benefit, directly or indirectly, of those officers, or any of them, including all loans for which they or any of them had indorsed or for which they had furnished the whole or any part of the collateral by which loans to any of them were secured, and for other information as shown by the quotation of said paragraph above. In the view which the court takes of the power of the comptroller these demands were entirely within his powers. The reply of the bank, it will be noted, states that when the last examination of the bank was conducted there were no loans to

the officers standing on the books, and likewise, in regard to demand for loans made to them under cover, and it is not denied that the latter sort of loan had been made. Evidently the main contention sought to be raised by the allegation in this paragraph is that the transactions of the sort referred to, having been closed a considerable time prior to the making of the demand, were not the proper subject of inquiry by the comptroller. The court has indicated a view to the contrary above and it is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limit to the scope of an inquiry by the comptroller could be reasonably suggested. The bill alleges that a bank examiner had gone over the books back to the date when the plaintiff began to do business." (P. 371.¹)

13. *Comptroller's demand that bank submit correspondence to board of directors upheld.*—"It is stated that the comptroller, in requiring that certain facts be laid before the board of directors, did so for the purpose of discrediting the plaintiff's officers before the board of directors and to drive them from their official positions. This practice is practically approved by the Supreme Court of the United States in *Jones National Bank v. Yates et al.*, decided April 3, 1916, in which case it appeared that a letter from the comptroller 'emphasized the duty of the directors with respect to the conduct of the bank's affairs, and it concluded with a request for a reply over the directors' individual signatures.'" (P. 371.¹)

14. *No foundation for bank's claim that comptroller acted maliciously.*—"The bill alleges that the acts of the comptroller were done maliciously. This is merely the statement of a conclusion of law not admitted by demurrer. Malice in law means nothing more than the intentional doing of a wrongful act without justification and within the meaning of the definitions such an act is one which, in the ordinary course, is calculated to infringe and does, in fact, infringe upon the rights of another to his damage unless it be done in the exercise of an equal or superior right. *Brennan v. United States* (73 N. J. Law, 729). The comptroller was acting within his powers and in performance of his duty so far as calling for the reports is concerned; therefore as no right of the plaintiff was infringed, he was not acting maliciously." (Pp. 271-272.¹)

15. *Bank's complaint concerning Panama deposits baseless.*—"There is a complete failure to show that for the purpose of wrecking the plaintiff bank the defendant took advantage of conditions arising out of the war in Europe. In fact, the plaintiff's own specific allegations disprove the coincidence on which alone such a charge could be based." (P. 359.¹)

16. *Criticism regarding Red Cross deposits unfounded.*—"There are numerous allegations in the bill inserted apparently for the purpose of establishing malice and showing a conspiracy, notably that of the action of the comptroller in regard to the Red Cross funds, but a reading of the allegations in that regard show satisfactorily that defendant Williams, as treasurer of the Red Cross funds, was taking perfectly proper steps to obtain the largest possible revenue from it while on deposit. The plaintiff was given the same opportunity that was given to others to have those deposits made in its bank." (P. 372.¹)

17. *No support for charges of hostility to bank's officers.*—"Another allegation is that the defendants, McAdoo and Williams, 'had in ways which will be fully detailed in the evidence to be taken in this suit openly and publicly manifested their personal malice toward certain of the plaintiff's officers.' Without considering that the plaintiff's officers are not the bank and that the defendant might be hostile to plaintiff's officers while being solicitous for the welfare of the stockholders, it is obvious that if the plaintiff wished any action to be taken based on the existence of such hostility it should have stated the facts fully enough to permit the court to determine the existence of such feeling. The other allegations inserted in the bill for the purpose of showing malice do not require any special reference." (P. 372.¹)

18. *Court denies bank's claim that the \$100 per day penalty did not apply to special reports.*—"The act of March 3, 1869, section 1, after providing for five regular reports, provided as follows: 'And the comptroller shall also have power to call for special reports from any particular association whenever, in his judgment, the same shall be necessary in order to a full and complete knowledge of its condition.

"Any association failing to make and transmit any such report shall be subject to a penalty of \$100 for each day after five days that such bank shall delay to make and transmit any report as aforesaid. * * *"

"Section 2 of the act provides:

"That, in addition to said reports, each national-banking association shall report to the Comptroller of the Currency the amount of each dividend declared by said association and the amount of net earnings in excess of said dividends, which report shall be made within two days after the declaration of each dividend and attested by the oath of the president or cashier of said association, and a failure to comply with the provisions of this section shall subject such association to the penalties provided in the foregoing section."

"In view of this previous legislation it can not be successfully maintained that Congress intended, in revising the statutes, to make any change as to what was required nor as to the penalty to be imposed. Congress simply enacted in three sections what had previously been contained in two sections of a single act." (Pp. 372-373.)

19. *Refusal of bank's officers to furnish data on ground that to do so would incriminate them was unlawful.*—"The demands made by the comptroller were that the bank make certain reports. If the demand had included the production of books and papers of the plaintiff the officers of the bank would have no privilege of refusing to produce them, because they might contain matter which would incriminate the officers or lead to punishment of the corporation. *Hale v. Henkel* (201 U. S., 42; *Wilson v. United States*, 221 U. S., 361.) As was stated in the latter case, the State has visitatorial powers over corporations. The fourth amendment of the Constitution protects a corporation against unreasonable searches and seizures but the fifth amendment, providing against compelling a person to be a witness against himself in a criminal case, does not prevent the compulsory production of the books of the corporation by one of its officers. So here the bank can not excuse its failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination.

"The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports." (Pp. 373-374.)

20. *Comptroller's refusal to approve Riggs National Bank as depository sustained.*—"The plaintiff would have the court enjoin the comptroller from revoking any designation of the plaintiff as a depository and from refusing to approve of the bank as such. The prayer of the bill also asks that if the comptroller has in form revoked such designation or in form refused such approval, then that such revocation or refusal may be decreed to be null and void.

"It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him 'from refusing to approve the plaintiff's bank as such a depository' can mean nothing, unless it be to require the comptroller to approve, and there being no specific instance of an application pending it amounts to asking the court to compel the comptroller to approve of any application. To state the request thus analyzed is to show that it can not be granted." (P. 375.)

21. *Court refuses bank's petition that the comptroller be enjoined from future violations of law.*—"The plaintiff seeks to have the comptroller enjoined generally from future violations of the law so far as his acts might affect it. Such an injunction could not be upheld. A court will not stop an officer vested with powers to be exercised at his discretion from performing his statutory duty for fear that he should perform it wrongly." (P. 375.)

22. *Right of comptroller to exercise discretion as to assessment of penalty for delay or refusal to furnish reports sustained.*—"The purpose of the act giving the comptroller power to call for special reports is obvious. Supervision over national banks is vested in him. In order that he may perform his duties he is given authority by the section here under consideration to call for special reports when, in his judgment, they are necessary to a full and complete knowledge of the condition of the bank. He alone having power to act, and therefore being the only one for whose benefit information is necessary, is the only one to determine that question, and also whether his call for a special report has been complied with. There can be no doubt, then, of his right to say that the plaintiff has given him the information desired, nor that, having so announced to the plaintiff the liability of the latter to penalties ceased as of the respective times when the reports were received." (Pp. 353-354.)

CHARGES RECHLESSLY MADE—ALL OVERWHELMINGLY REFUTED.

I realize and regret that the record has been lengthened to proportions taxing your time and patience, but because of the latitude granted those who have made

the officers standing on the books, and likewise, in regard to demand for loans made to them under cover, and it is not denied that the latter sort of loan had been made. Evidently the main contention sought to be raised by the allegation in this paragraph is that the transactions of the sort referred to, having been closed a considerable time prior to the making of the demand, were not the proper subject of inquiry by the comptroller. The court has indicated a view to the contrary above and it is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limit to the scope of an inquiry by the comptroller could be reasonably suggested. The bill alleges that a bank examiner had gone over the books back to the date when the plaintiff began to do business." (P. 371.¹)

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15. *Bank's complaint concerning Panama deposits baseless.*—"There is a complete failure to show that for the purpose of wrecking the plaintiff bank the defendant took advantage of conditions arising out of the war in Europe. In fact, the plaintiff's own specific allegations disprove the coincidence on which alone such a charge could be based." (P. 359.¹)

16. *Criticism regarding Red Cross deposits unfounded.*—"There are numerous allegations in the bill inserted apparently for the purpose of establishing malice and showing a conspiracy, notably that of the action of the comptroller in regard to the Red Cross funds, but a reading of the allegations in that regard show satisfactorily that defendant Williams, as treasurer of the Red Cross funds, was taking perfectly proper steps to obtain the largest possible revenue from it while on deposit. The plaintiff was given the same opportunity that was given to others to have those deposits made in its bank." (P. 372.¹)

17. *No support for charges of hostility to bank's officers.*—"Another allegation is that the defendants, McAdoo and Williams, 'had in ways which will be fully detailed in the evidence to be taken in this suit openly and publicly manifested their personal malice toward certain of the plaintiff's officers.' Without considering that the plaintiff's officers are not the bank and that the defendant might be hostile to plaintiff's officers while being solicitous for the welfare of the stockholders, it is obvious that if the plaintiff wished any action to be taken based on the existence of such hostility it should have stated the facts fully enough to permit the court to determine the existence of such feeling. The other allegations inserted in the bill for the purpose of showing malice do not require any special reference." (P. 372.¹)

18. *Court denies bank's claim that the \$100 per day penalty did not apply to special reports.*—"The act of March 3, 1869, section 1, after providing for five regular reports, provided as follows: 'And the comptroller shall also have power to call for special reports from any particular association whenever, in his judgment, the same shall be necessary in order to a full and complete knowledge of its condition.

"Any association failing to make and transmit any such report shall be subject to a penalty of \$100 for each day after five days that such bank shall delay to make and transmit any report as aforesaid. * * *"

"Section 2 of the act provides:

"That, in addition to said reports, each national-banking association shall report to the Comptroller of the Currency the amount of each dividend declared by said association and the amount of net earnings in excess of said dividends, which report shall be made within two days after the declaration of each dividend and attested by the oath of the president or cashier of said association, and a failure to comply with the provisions of this section shall subject such association to the penalties provided in the foregoing section."

"In view of this previous legislation it can not be successfully maintained that Congress intended, in revising the statutes, to make any change as to what was required nor as to the penalty to be imposed. Congress simply enacted in three sections what had previously been contained in two sections of a single act." (Pp. 372-373.)

19. *Refusal of bank's officers to furnish data on ground that to do so would incriminate them was unlawful.*—"The demands made by the comptroller were that the bank make certain reports. If the demand had included the production of books and papers of the plaintiff the officers of the bank would have no privilege of refusing to produce them, because they might contain matter which would incriminate the officers or lead to punishment of the corporation. *Hale v. Henkel* (201 U. S., 42; *Wilson v. United States*, 221 U. S., 361.) As was stated in the latter case, the State has visitatorial powers over corporations. The fourth amendment of the Constitution protects a corporation against unreasonable searches and seizures but the fifth amendment, providing against compelling a person to be a witness against himself in a criminal case, does not prevent the compulsory production of the books of the corporation by one of its officers. So here the bank can not excuse its failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination."

"The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports." (Pp. 373-374.)

20. *Comptroller's refusal to approve Riggs National Bank as depository sustained.*—"The plaintiff would have the court enjoin the comptroller from revoking any designation of the plaintiff as a depository and from refusing to approve of the bank as such. The prayer of the bill also asks that if the comptroller has in form revoked such designation or in form refused such approval, then that such revocation or refusal may be decreed to be null and void."

"It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him 'from refusing to approve the plaintiff's bank as such a depository' can mean nothing, unless it be to require the comptroller to approve, and there being no specific instance of an application pending it amounts to asking the court to compel the comptroller to approve of any application. To state the request thus analyzed is to show that it can not be granted." (P. 375.)

21. *Court refuses bank's petition that the comptroller be enjoined from future violations of law.*—"The plaintiff seeks to have the comptroller enjoined generally from future violations of the law so far as his acts might affect it. Such an injunction could not be upheld. A court will not stop an officer vested with powers to be exercised at his discretion from performing his statutory duty for fear that he should perform it wrongly." (P. 375.)

22. *Right of comptroller to exercise discretion as to assessment of penalty for delay or refusal to furnish reports sustained.*—"The purpose of the act giving the comptroller power to call for special reports is obvious. Supervision over national banks is vested in him. In order that he may perform his duties he is given authority by the section here under consideration to call for special reports when, in his judgment, they are necessary to a full and complete knowledge of the condition of the bank. He alone having power to act, and therefore being the only one for whose benefit information is necessary, is the only one to determine that question, and also whether his call for a special report has been complied with. There can be no doubt, then, of his right to say that the plaintiff has given him the information desired, nor that, having so announced to the plaintiff the liability of the latter to penalties ceased as of the respective times when the reports were received." (Pp. 353-354.)

CHARGES RECHLESSLY MADE—ALL OVERWHELMINGLY REFUTED.

I realize and regret that the record has been lengthened to proportions taxing your time and patience, but because of the latitude granted those who have made

wanton charges against me this has seemed necessary for my protection. From my point of view I have been vindictively and remorselessly assailed. Every available weapon, person, and method for attacking my character as a man and reputation as an official before your committee, the Senate, and the public has been used with eager malice. Each accusation or suggestion presented against me has been spread assiduously through the newspapers.

One drafted—and contradicted—witness from 25,000 national-bank officers.—But despite the sinister and reckless efforts of the malicious, unscrupulous few I direct your attention to the deeply significant fact that not one of the 25,000 executive officers or 85,000 employees, including officers, of nearly 8,000 national banks of the country under my supervision has appeared voluntarily before your committee to oppose my confirmation, and even in response to summons by your committee only one national bank executive has appeared before you thus far to oppose, although these hearings have been now going on at intervals for more than six months. The testimony of that one national-bank official who did appear has been proven to have been disingenuous and without foundation from start to finish.

The hope of my assailant seems to have been the Riggs Bank case. Mr. Hogan, former attorney of the Riggs Bank, whose false and shameless testimony I have now fully reviewed, came, as he admits, by special request, solicited by ex-Senator Weeks, whose "fake" resolution of a "clearing house" which never existed, presented by Mr. Weeks before this honorable committee, I have already exposed.

I understand that Mr. Hogan came also pursuant to plans of a certain official of the Riggs Bank who was indicted for perjury for signing the affidavit prepared for him by Mr. Hogan. That same official of the Riggs Bank, I also understand, furnished ex-Senator Weeks the 4-year-old 60,000 word diatribe against the comptroller's office, which the ex-Senator inserted in the record in February, but which was prepared by the newspaper man Hill, whom the Riggs Bank had employed as their publicity agent in the Riggs equity suit, and of whose disreputable work your committee has already been advised.

The few witnesses who have been "drummed up" and thrust forward by hidden hands and who have consumed the valuable time of your committee have, it seems, tried to offset their numerical inferiority by the abundance of venom, malice, and slander which they have poured without stint.

Submission of details of facts made necessary by method of attack.—Mr. Chairman, the vindication of my name and motives is immeasurably more important to me than confirmation and further service as Comptroller of the Currency. I have that vindication—even at the cost of much labor to myself and inconvenience to others—not only to my own self-respect, but to the President and to the two Secretaries of the Treasury who have honored me with their confidence. Truth may not overtake a lie, but may outlive it. This record is the only means by which I can put what seems to me to be absolutely established and indisputable truth in such enduring and definite form that it will live to speak for itself and for me hereafter. Therefore I desire to have in the record the full, whole truth on every point and detail, large and small, set forth as clearly as I can present it.

My endeavor has been to search out, meet, and contradict every charge that has been uttered or written against me and to prove that it was not only falsehood, but falsehood incited by hate and by lust for vengeance, and that the whole proceeding has been a malign and impudent attempt to use your committee to gratify the animosity of detected and baffled lawbreakers. I believe that in this endeavor I have succeeded.

I respectfully ask that this letter be printed in the record with the correspondence and other inclosures referred to above, which I hand you herewith.

Faithfully, yours,

JOHN SKELTON WILLIAMS.

I take advantage of this opportunity to include and call special attention to the following extracts from letters which I wrote the Banking and Currency Committee of the United States Senate July 29 and August 1, 1919, which also relate to the Riggs Bank case and the misstatements before that committee by the bank's former attorney, Mr. Hogan; and which illustrate the rank favoritism which that bank enjoyed during the many years it persistently defied the banking laws and the comptroller's regulations.

FROM COMPTROLLER'S LETTER TO SENATE COMMITTEE OF JULY 29, 1919.

* * * * *

"At the hearings before your committee on July 24, 1919, I stated to your committee that despite Mr. Hogan's positive denial that the Riggs National Bank had in past years enjoyed special favors from the Treasury Department, the indisputable records of the office prove that his denial was wholly untrue and that in many ways the Riggs National Bank had been favored, and to a very remarkable degree.

"I also stated that there had not only been discrimination in favor of the Riggs National Bank in the matter of Government deposits, but that the bank had enjoyed special favors in the matter of obtaining information and data from the various bureaus of the Treasury, and I referred to an incident in connection with my examinations of the bank where it had been discovered that a copy of a certain confidential document intended only for national bank examiners had passed into the possession of the Riggs Bank. I stated that if you desired I would be pleased to furnish you further information in regard to that incident. You requested that I do so. I now have the pleasure of handing you a copy of a letter which, as Comptroller of the Currency, I addressed on October 9, 1915, to Vice President Alles of the Riggs National Bank, which was as follows:

"TREASURY DEPARTMENT,
"Washington, D. C., October 9, 1915.

"Mr. M. E. ALLES,

"Vice President Riggs National Bank, Washington, D. C.

"SIR: The records show that some time ago, as vice president of the Riggs National Bank, you wrote a letter to an officer of the National City Bank, of which you were also an employee, in which you said:

"I am sending you herewith a copy of the comptroller's pamphlet, *Defalcations and Methods of Concealment*."

"That pamphlet was a confidential communication issued by the office of the Comptroller of the Currency for the instruction of national bank examiners only. There was printed across the face of the pamphlet a statement which recited that—

"This is a confidential publication which has been compiled for the use of bank examiners, and is to be returned to the Comptroller of the Currency by the recipient when the service of the examiner is terminated."

"There can, therefore, be no question but that you knew that this was a confidential document, published with the intention that it should not go out of the possession of the comptroller's office or its examiners.

"You are requested to inform this office immediately how, when, and through whom you obtained this document, the property of this office.

"In the letter in which you conveyed this pamphlet to an officer of the National City Bank of New York you said:

"The instructions to examiners are of a very confidential character, and I was unable to obtain them to-day. I think perhaps it may be possible to do so another time, however, and I will make an effort early next week to get hold of a set for you."

"You are requested to inform this office at once whether the set of 'Instructions to examiners,' which you admit that you clearly knew were 'of a very confidential character,' was obtained eventually by, for, or through you and transmitted to the National City Bank or to any of its officers.

"If you succeed in getting possession of the documents referred to, you are requested to inform this office promptly how, when, and through whom these confidential papers of the comptroller's office were secured by or for you and to return them at once to the office of the Comptroller of the Currency.

"Respectfully,

"JOHN SKELTON WILLIAMS,
"Comptroller of the Currency.

"I do not find Mr. Alles's reply to the foregoing letter in the files. My recollection is that the explanation he offered was that the confidential document referred to had been given to him by one of my predecessors in office.

* * * * *

"In my statement before your committee on the 25th instant in connection with the activities of the newspaper man, George G. Hill (p. 578, printed hearings), I referred incidentally to the secret propaganda being conducted against

me, apparently originating in Washington, but with various ramifications. In support of my assertion I now respectfully submit three articles from obscure newspapers in three States, all identically alike and evidently prepared and sent out by the same journalistic genius. Their contents, as you will observe, are of such coarsely vulgar character that I would not ask any man to read them except as evidence.

"Obviously somebody is spending money in hiring cheap and obscure hangers-on of journalism to assail me. This seems to be a revival of the ancient practice of employing professional assassins to wreak private vengeance, only lacking the personal perils and elements of tragedy which gave that system at least a suggestion of dignity. I will not ask you to cumber the records with these editorials, but present them for the inspection of your committee.

"I respectfully ask that this letter be printed in the record of these hearings."

FROM COMPTROLLER'S LETTER TO SENATE COMMITTEE OF AUGUST 1, 1919.

"In my letter to you of the 29th ultimo I submitted, in reply to an inquiry from you, figures to show that from June, 1904, to June, 1914, the percentage of increase in the resources of the Riggs National Bank had amounted to only about one-fourth of the percentage of increase which had taken place in the same period in all the other national banks throughout the country.

"In the same letter I pointed out that the Riggs National Bank had been required, in 1914, by the comptroller's office, to desist from their irregular and unlawful operations, and that after the officers of the bank had been required to confine their time and attention more closely to the legitimate business of a national bank the resources of the Riggs National Bank had in the five-year period from June, 1914, to May, 1919, increased 83.29 per cent, against an increase in the resources of all the national banks in the country of 81.37 per cent.

"I understand that the question has also been raised as to whether or not the increase in resources of 18.64 per cent shown by the Riggs National Bank between June, 1904, and June, 1914, was out of line with the increase shown by all the other banks in the District of Columbia for that same period.

"In reply to that suggestion I have the honor to advise you that the records give the following figures:

"Against an increase in total resources from June, 1904, to June, 1914, of the Riggs National Bank of 18.64 per cent, we find that the total resources of all other banks in the District of Columbia for the same period increased 114.7 per cent.

"Which means that the percentage of increase in resources from 1904 to 1914 of all the other banks in the District of Columbia was more than six times as great as the percentage of increase shown by the Riggs Bank during that period.

BANK FATTENED FROM GOVERNMENT SPOON.

"It is true that the Riggs National Bank made large earnings in those years, but those big earnings are traceable very largely or mainly to the favoritism which the bank enjoyed from the Treasury Department in many ways. The records show clearly that a large part of the dividends paid by the Riggs Bank on its capital stock from 1904 to 1914 was directly due to the large profits which the bank derived from 'grossly abnormal' proportions of Government funds placed with it without interest during those years through favoritism or the exercise of special influence.

UNITED STATES DEPOSITS IN RIGGS BANK HAD AVERAGED MORE THAN SEVEN TIMES AS MUCH AS UNITED STATES DEPOSITS IN ALL OTHER LOCAL BANKS COMBINED.

"In this connection I invite your attention to a paragraph in Secretary McAdoo's affidavit in the Riggs equity case, in which he said (p. 540 of February hearings before the committee):

"The total deposits of the plaintiff bank, exclusive of Government funds, on April 9, 1903, were approximately \$7,381,912.20. The proportion of Government funds to total deposits and to the then capital and surplus of the bank (\$900,000) was grossly abnormal and unprecedented. * * *

"During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of the

total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874.

"The average balance of Government funds on deposit with the plaintiff bank from the time the said Alles became connected with the bank, in April, 1903, until March, 1907, was \$2,081,957.

"The whole record, Mr. Chairman, presents a complete and overwhelming refutation of Mr. Hogan's reckless but deliberate and brazen denial made in his testimony before your committee on the 9th ultimo (p. 99). At that time, in response to Senator Frelinghuysen's question:

"Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank?"

"Mr. Hogan unblushingly and with the same disregard for the truth which had characterized his preparation of the affidavit which resulted in the indictment for perjury of three of the Riggs' officers, answered:

"There is not."

"I respectfully ask that this complete letter be printed in the record of these hearings as supplementary to my letter to you of July 29, 1919."

MR. HOGAN CONDUCTS PROPAGANDA.

Since writing my letter of the 12th instant to Chairman McLean of the Banking and Currency Committee, which is printed above, my attention has been called to the propaganda which it appears is being conducted by Mr. F. J. Hogan, former attorney for the Riggs Bank, whose untrue and malicious statements before the Senate committee I have already exposed.

Under date of August 6, 1919, Mr. Hogan appears to have disseminated over his signature a letter calling attention to what he describes as "a most intelligent analysis" of the Riggs Bank controversy, but which is merely a biased newspaper report of his false testimony before the Senate committee and a "write up" of himself as printed in two editions of small financial weekly published in Boston, one of which articles he appears to have had reprinted, either at his own expense or at the expense of the interests who are cooperating with him in his propaganda.

These articles, mainly a rehash of his untrue testimony which has already been answered by me, need no further reply. They are not only obvious propaganda, but ignorant propaganda. The most interesting point is the optimistic promise that Congressman McFadden, of Pennsylvania, was to appear before the Senate committee to testify against the comptroller. As this promise was not verified, it seems to be evident that Mr. McFadden underwent some change of mind. Presumably he decided to fall back into the ranks of the "25,000 banks more or less" described by Mr. Hogan's admiring newspaper friend as abject slaves of the comptroller, "cringing from the fear of his blows, like a parcel of children terror stricken by some local bully"—so the editor of the publication, purporting to be for American financiers, described them.

FALSE PROPHET PREDICTS DECLINE IN NATIONAL BANKS.

In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for "the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system."

It also intimates that the Comptroller of the Currency is responsible for the failure of eligible State banks to join the Federal reserve system.

A THREE-YEAR-OLD COMPLAINT REVIVED AND KILLED.

Mr. Hogan is manifestly hard pressed for ammunition when the best that he can do in his effort to find some one making complaints against the comptroller's office is to go back more than three years and resurrect, from an un-stated and unknown though suspected source, an unfounded attack by an official of a State bank (\$50,000 capital) from North Dakota, never directly or indirectly under the comptroller's supervision. The facts and records, however, to which I ask your attention, demolish the complaints of that State banker.

WITH STATE BANKS JOINING RESOURCES OF FEDERAL RESERVE MEMBER BANKS DOUBLE.

At the time the North Dakota banker made his gloomy forecast concerning the determination of banks to refrain from joining the Federal Reserve System there were only 35 State bank members of the Federal Reserve System, with resources of \$531,000,000. Since then a large proportion of the principal State banks and trust companies of the country have joined the system, and the number of State bank and trust company members now is 1,084, with resources of \$8,110,000,000; and the total resources of all national and State bank members of the Federal Reserve System, which on June 30, 1916, amounted to \$14,450,000,000, is now \$28,900,000,000—an increase of 100 per cent in the three years since the State bank official made his pessimistic forecast.

The emptiness of the North Dakota banker's forebodings as to national banks leaving the system is also shown by the records. Between July 1, 1916, and August 15, 1919, 560 new national banks have been chartered, and 603 of the existing national banks have increased their capital. The actual net increase in the capital, surplus, and undivided profits of national banks in the United States from July 1, 1916, to July 1, 1919, was over \$280,000,000.

UNPRECEDENTED RECORD OF NATIONAL BANKS UNDER PRESENT ADMINISTRATION.

The returns of our national banks as of June 30, 1919, just compiled, show resources of \$20,799,000,000.

The increase in the resources of the national banks of the country in the past 6 years, under the present administration, has been greater than the increase in the preceding 47 years.

Since January 1, 1918, covering approximately 10 months of the strain and shock of war, and 10 months of the trials of the reconstruction period, there have been two national bank failures in the entire United States—an average of one failure each 10 months. In the 25-year period prior to the present administration the failure of national banks averaged about 18 per annum, or, say, 1 every 20 days.

Not only have there been fewer national bank failures than ever before in the history of the national banking system, but the records show that of the national banks which have failed during the administration of the present Comptroller of the Currency approximately 60 per cent have either been restored to solvency, have paid their depositors 100 cents on the dollar or are expecting to do so, whereas in the nearly 50 years prior to the incumbency of the present comptroller only about 35 per cent of the failed banks paid their depositors in full.

It is deeply gratifying to me to be able to point to the record which tells us that in immunity from failure the showing of the national banks since January 1, 1918, has been twenty times, or 2,000 per cent better than for the period of 25 years immediately preceding the present administration.

Furthermore, the net profits of the national banks for the year ending December 31, 1918, amounted to \$223,531,000—the greatest ever recorded—compared with 212 millions in the fiscal year ending June 30, 1918; 194 millions for 1917; 157 millions for 1916; and 127 millions for 1915.

This great increase in banking power and resources and in profits has been accomplished contemporaneously with a marked reduction in the rates of interest charged to the public in all parts of the country and with the elimination of many unlawful and irregular practices which formerly prevailed.

JOHN SKELTON WILLIAMS.

AUGUST 26, 1919.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, August 30, 1919.

Hon. GEORGE P. McLEAN, United States Senator,
Chairman, Banking and Currency Committee,

Washington, D. C.

SIR: In my statement to your committee on July 26, 1919, I called attention to loans which I had understood from the report made by Examiner Owen T. Reeves of May 22, 1906, were outstanding at that time to various officers and employees of the Bank, including Vice President Alles \$34,788; Assistant

Cashier W. J. Flather, \$74,000; Assistant Cashier H. H. Flather, \$47,537; Paying Teller Rittenhouse, \$600; Paying Teller Kindelberger, \$40; Receiving Teller Nevins, \$1,905; Ladies' Teller Bestor, \$56,500; Exchange Teller E. D. Flather, \$3,010; Note Teller Giesekeing, \$23,000; and to General Bookkeeper Evans, \$11,039; and to 34 bookkeepers and others, \$101,095.

A closer examination of Examiner Reeves' report indicates that the item of "\$101,095 to 34 bookkeepers and others" should not have been embraced in that table, and their inclusion there was through error in transposing. I, therefore, make this correction. The total loans to officers and employees as of May 27, 1906, as shown by the books, should, therefore, be \$257,421 instead of \$358,516. The national bank examiners' reports on the Riggs National Bank had for a long period of years, shown repeatedly unusually large loans made to its officers, directors and employees. For instance, at the examination on April 25, 1905, a year prior to the examination above referred to, the examiner had reported the bank as lending to its Ladies' Teller, whose salary was \$1,800 per annum, \$45,100; to its Note Teller, salary \$2,000, the sum of \$14,400; to its Exchange Teller, with salary of \$1,700, loans of \$17,807; to its Receiving Teller, with a \$1,700 salary, the sum of \$8,506; and to its Paying Teller, whose salary was \$2,000, the bank was then lending \$18,200.

These loans to inside men—employees, officers, and directors—increased rather than diminished as the years went on. On May 15, 1913, the loans to the insiders (including over \$43,000 of "dummy" loans for the benefit of the vice president and the cashier, though not recognized as such by the examiner) aggregated over \$805,000, as evidenced by the report of Examiner Hann, whose examination was so extolled by Mr. Hogan, and whom Mr. Hogan, boastfully declared had certified in his report that the books showed the bank's real condition. That statement was incorrect, for the bank had effectually concealed from the examiner, for instance, those "dummy" loans, which were at that very time in the bank, though the examiner, ignorant of their real status, had not shown them in loans to officers. Those particular "dummy" loans had been in the bank for several years.

Please allow me to take advantage of this opportunity to correct the misleading and unwarranted statement made before your committee by Mr. F. J. Hogan on July 10, in which he attempted to justify or palliate the irregular stock operations of the Riggs Bank by claiming that 11 other national banks in the District of Columbia all had "similar" accounts with the brokerage firm of Lewis Johnson & Co. That statement is untrue and was, I believe, made for the purpose of misleading your committee. The fact is that no other national bank in the District, as far as the records of this office go or the national-bank examiners have ever been able to discover, were ever conducting operations with the firm of Lewis Johnson & Co., or any other brokerage firm, "similar" to those carried on by the Riggs Bank with that firm. This record contains copies of newspaper advertisements by the Riggs Bank relative to the stock business it was conducting, and I do not believe you will find anyone, unless it be Mr. Hogan, so reckless as to charge the cashier of any other bank of systematically defrauding the bank's customers by "bucketing" the orders of customers; nor do I believe you will find that any other Washington national-bank cashier or other official outside of the Riggs Bank was speculating with Lewis Johnson & Co., and carrying their account on the broker's books under an alias or fictitious name, as the bank examiners inform me was done by the cashier of that bank.

In corroboration of these statements I ask your attention to the following letter, which I received from National Bank Examiner Trimble under date of July 31, 1919:

"HON. COMPTROLLER OF THE CURRENCY,

Washington, D. C.

"SIR: On July 10, on page 131 of the hearings before the Committee on Banking and Currency, Mr. Frank J. Hogan made the following statement:

"I digress to tell you Senators that it developed in the sworn testimony brought out in the criminal case that 11 national banks in the District of Columbia all had similar accounts with Lewis Johnson & Co. That does not mean that I say that the 11 national banks of the District of Columbia were either buying stocks or selling stocks or speculating in stocks. I mean to say nothing of the kind; but I mean to say that anybody with any intelligence could have found out that 11 banks had stock and bond accounts with this brokerage house, which, prior to its failure, was the oldest established brokerage house in the District of Columbia."

"That statement was wholly misleading.

"In order to advise you of the facts in regard to this matter, I wish to say that I have made it a practice in all of my examinations to inquire particularly as to the method used by all national banks in the purchase and sale of bonds or other securities, whenever there were any such transactions.

"When it was discovered that the Riggs National Bank had been buying and selling stocks almost daily, and on occasions many times daily, often in large amounts, ever since the bank was chartered as a national bank, I, of course, made closer inquiry into the methods used by other national banks in this city in all of my subsequent examinations. The violations of the law on the part of the Riggs National Bank impressed me in such a way as to put me on guard and cause me to make particular investigation as to whether or not other national banks in this city were conducting business in the same way.

"I have time and again examined every other national bank here, but I have not found in any of my examinations of the other national banks in Washington, D. C., any case where any national bank in this city participated in any way in the commission or profits or losses on any stock bought or sold for customers, nor any case where a national bank was dealing in stocks on its own account.

"Some of the other national banks in this city would occasionally transmit orders for their customers for the purchase or sale of stocks or bonds; and in the case of purchases the funds for the purchase would generally be provided by the customer in advance of the purchase. In the case of sale, the stock would be delivered to the bank by the customer with instructions to have the same sold and credit the entire proceeds to his account; but no other national bank in the District, as far as I have been able to discover, ever carried on the stock business in the irregular and unlawful manner so long followed by the Riggs National Bank, nor did they openly or secretly conduct such a business.

"Respectfully,

"JAMES TRIMBLE,
"National Bank Examiner."

On page 131 of the hearings Mr. Hogan, in referring to the stock business which was being carried on by the Riggs Bank, said:

"Over and over and over again in this correspondence, in the nine months preceding April 12, 1915, the comptroller had been given every scintilla of evidence regarding just exactly what those accounts were."

That statement is also disingenuous and misleading, for the "scintilla(s) of evidence" furnished by the bank's officers in regard to those accounts were contradictory in the extreme, oftentimes vague and frequently directly contradicted by facts. The record also shows that the officers of the bank flatly refused to answer questions from the comptroller as to the ownership of funds carried in the Glover and Flather and Flather and Flather accounts, representing brokerages and commissions collected by the bank. On this very point the Supreme Court of the District, in its decision, expressly declared:

"The court will not assume that under those circumstances it was unreasonable to call for an expression of the knowledge and belief of the officers of the bank as to whom, between the bank and the persons named as depositors, the funds really belonged." (See my letter to you of August 12, p. 16.)

I will be obliged if you will have this letter printed in the record of these hearings.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller.

A.

JANUARY 9, 1913—11.20 a.

LEWIS JOHNSON & Co.,
Bankers.

Sell for my account and risk in New York 100 Can Com. 31.

Riggs.

Filed May 21, 1915. J. R. Young, Clerk.

B.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., 1/9, 1913.

RIGGS NATIONAL BANK,

DEAR SIR: We have this day, for your account and risk, sold 100 Can C. 31.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

C.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 9, 1913.

Pay to the order of Riggs National Bank three thousand eighty-five 50/100
 (\$3,085.50) dollars.

LEWIS JOHNSON & Co.

To the RIGGS NATIONAL BANK, *Washington, D. C.*

D.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 22, 1913.

Pay to the order of Riggs National Bank Twenty-eight hundred eighty-five
 fifty one-hundredths (\$2,885.50) dollars.

LEWIS JOHNSON & Co.

To the RIGGS NATIONAL BANK, *Washington, D. C.*

E.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 22, 1913.

RIGGS NATIONAL BANK,

DEAR SIR: We have this day, for your account and risk, Sold: 100 Can com. at
 29; 5 Gt. Northern rights at 21.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

F.

JANUARY 22, 1913. 10.16 a. m.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 Can. 29.

RIGGS.

Filed May 21, 1915. J. R. Young, clerk.

G.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 4, 1913.

No. 4155.

Pay to the order of Riggs National Bank eighteen hundred and seventy-three
 (\$1,873) dollars.

To the Riggs National Bank, Washington, D. C.

LEWIS JOHNSON & Co.

H.

LEWIS JOHNSON & Co., BANKERS,
1505 PENNSYLVANIA AVENUE, NW.,
Washington, D. C., February 4, 1913.

THE RIGGS NATIONAL BANK:

DEAR SIR: We have this day, for your account and risk—

Bought 100 7 B at 18½; 5 United S. and M. Pfd. at 49; 100 San Poe at 163½.
Sold 100 I. B. at 18½.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

FEBRUARY 4, 1913, 2.54 p. m.

I.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 Int. Com. 18½.

Riggs.

Filed May 21, 1915. J. R. Young, Clerk.

J.

LEWIS JOHNSON & Co., BANKERS,
1505 PENNSYLVANIA AVENUE NW.,
Washington, D. C., January 11, 1913.

Riggs National Bank.

DEAR SIR: We have this day, for your account and risk—

Bought 21 General Electric, at 184½, 503.

Sold 30 A. T. T. C., 139½.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

K.

JANUARY 11, 1913.

LEWIS JOHNSON & Co., Bankers:

Buy for my account and risk in New York 21 General Electric. 184½.

Riggs.

Filed May 21, 1915. J. R. Young, Clerk.

L1.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., November 29, 1911.

No. 3766.

Pay to the order of Riggs National Bank eighty-five and fifty-hundredths
(\$85.50) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson, Bankers, November 25, 1911. Paid. Washington, D. C.

L2.

Riggs National Bank. Prior indorsements. November 25, 1911. Guaranteing. Washington, D. C.

M1.

No. 3688.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., October 27, 1919.

Pay to the order of H. H. Flather, one hundred thirty-five 50/100 (\$135.50)
dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. October 29, 1911. Paid. Washington, D. C.

M2.

H. H. Flather. The Riggs National Bank. Prior indorsements. October 28, 1911. Guaranteed. Washington, D. C.

N1.

No. 3893.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 27, 1912.

Pay to the order of H. H. Flather seven hundred forty-two (\$742) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., Bankers. January 29, 1912. Paid. Washington, D. C.

N. 2.

H. H. Flather. The Riggs National Bank, prior indorsements January 29, 1912, guaranteed, of Washington, D. C.

O.

LEWIS JOHNSON & Co., BANKERS,
February 7, 1912.

Sell for my account and risk in New York 100 U. P. 164.

RIGGS.

Filed May 21, 1915. J. R. Young, Clerk.

P.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 7, 1912.

The RIGGS NATIONAL BANK.

DEAR SIR: We have this day, for your account and risk, sold 100 Union Pacific 164.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

Q.

FEBRUARY 10, 1912.

LEWIS JOHNSON & Co., Bankers:

Buy for my account and risk in New York 100 U. P. 163.

RIGGS.

Filed May 21, 1915. J. R. Young, Clerk.

R.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 10, 1912.

The RIGGS NATIONAL BANK,
City.

DEAR SIR: We have this day, for your account and risk, bought 100 Un. Pacific 162½. 2,000 Kansas City Southern 5s Corepen 100½.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

S 1.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 10, 1912.

No. 3914.

Pay to the order of H. H. Flather ninety-eight (\$98) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. Feb. 12, 1912. Paid. Washington, D. C.

S 2.

H. H. Flather. (The Riggs National Bank. Prior endorsement Feb. 12, 1912,
guaranteed. Of Washington, D. C.)

T.

FEBRUARY 14, 1912.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 U. P. 165.

Riggs.

Filed May 21, 1915. J. R. Young, clerk.

U

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 14, 1912.

THE RIGGS NATIONAL BANK
(Give notice to Mr. Cooke.)

DEAR SIR: We have this day, for your account and risk, bought 100 Union
Pacific, 164½. Sold 100 Union Pacific, 165½; 3 Calumet, 420.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

V

FEBRUARY 14, 1912, 11.45 a. m.

LEWIS JOHNSON & Co., Bankers,

Buy for my account and risk in New York 100 U. P., 164½.

Riggs.

Filed May 21, 1915. J. R. Young, Clerk.

W¹

LEWIS JOHNSON & Co., Bankers,
Washington, D. C., February 14, 1912.

Pay to the order of H. H. Flather two hundred ten fifty-hundredths (\$210.50)
dollars.

LEWIS JOHNSON & Co.

February 12, 1915. Paid. Lewis Johnson & Co., Bankers, Washington, D. C.

W²

H. H. Flather. (February 15, 1912. Prior indorsements guaranteed. Riggs
National Bank of Washington, D. C.)

X.

FEBRUARY 15, 1912.

LEWIS JOHNSON & Co.,

Bankers:

Sell for my account and risk in New York 100 U. P. 165½.

Riggs.

Filed May 21, 1915. J. R. Young, clerk.

Y.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 15, 1912.

DEAR SIR: We have this day, for your account and risk, sold 7 Calumet 420;
100 U. P. 162½.

The RIGGS NATIONAL BANK,
(Give to Mr. Cooke).

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

Z 1.

FEBRUARY 16, 1912.

LEWIS JOHNSON & Co.:

Buy for my account and risk in New York 100 U. P. 164½.

RIGGS.

Filed May 21, 1915. J. R. Young, clerk.

Z 2.

LEWIS JOHNSON & Co.,
Washington, D. C., February 16, 1912.

DEAR SIR: We have this day, for your account and risk, bought 100 Union
Pacific 164½; 100 Union Pacific 164.

Sold 7 Calumet 425.

The RIGGS NATIONAL BANK,
(Give notice to Mr. Cooke).

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

Z 3.

No. 3920.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 16, 1912.

Pay to the order of H. H. Flather twenty-three (\$23) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. February 17, 1912. Paid. Washington, D. C.

Z 4.

H. H. Flather.

(The Riggs National Bank. Prior indorsements. February 17, 1912. Guar-
anteed of Washington, D. C.)

(Whereupon, at 10.33 o'clock a. m., the committee stood adjourned.)

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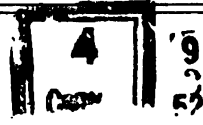
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NOMINATION OF JOHN SKELTON WILLIAMS

HEARING



U. S. Senate BEFORE THE
COMMITTEE ON BANKING AND CURRENCY.
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS
FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 12

Printed for the use of the Committee on Banking and Currency.



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

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H 5273
1919a

NOMINATION OF JOHN SKELTON WILLIAMS.

THURSDAY, SEPTEMBER 4, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.25 o'clock a. m. in the committee room, Senate Office Building, Senator George B. McLean presiding.

Present: Senators McLean (chairman), Newberry, Henderson, and Owens.

Present also: Hon. Louis T. McFadden; Hon. John Skelton Williams, Comptroller of the Currency; Mr. Frank J. Hogan, Mr. Wade H. Cooper, Mr. Jas. Trimble, and others.

The committee had under consideration the nomination of Mr. John Skelton Williams as Comptroller of the Currency.

The CHAIRMAN. Mr. Williams, you may proceed.

STATEMENT OF HON. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY.

Mr. WILLIAMS. Mr. Chairman and gentlemen, at yesterday's meeting of the committee the witness Hogan stated that he desired to be furnished with a list of some eight or nine documents and reports. I was asked whether it would be practicable to furnish that information, Mr. Chairman, and I stated that I would be glad to take the matter up with the Secretary of the Treasury after the list of the information which was needed should be submitted to me, and advise the committee. I did not at that time understand that the desire of the witness had been approved. Yesterday I received from the official stenographer a list of the eight or nine requests, and I promptly sent the following telegram:

SEPTEMBER 3, 1919.

Hon. GEORGE P. McLEAN,
Chairman Banking and Currency Committee,
United States Senate:

I have only this morning received from the official stenographer the list of the nine requests for reports and documents which Witness Hogan at yesterday's meeting of your committee said he desired to get from the Treasury. These relate mainly to confidential information concerning the national banks of the District of Columbia obtained by the Comptroller of the Currency in pursuance of his official duties. I am directed by the Secretary of the Treasury to say that he does not feel that he could with propriety authorize the revelation of such confidential information upon the request of a witness appearing before a congressional committee. I am further directed by the Secretary to say that if the committee itself desires the information and makes an official request for it he will be glad to give such request prompt and careful consideration.

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

pt. 12

About half past 4 yesterday afternoon I received this letter from the chairman of the committee:

SEPTEMBER 3, 1919.

DEAR SIR: In reply to your telegram, will say that Mr. Hogan's request for information was granted by the committee, and thereupon became a request of the committee. The information will be received in executive session and treated as confidential, if desired.

Yours, sincerely,

GEO. P. MCLEAN.

HON. JOHN SKELTON WILLIAMS,
*Comptroller of the Currency,
Treasury Department, Washington, D. C.*

To this letter I made the following reply:

SEPTEMBER 3, 1919.

HON. GEORGE P. MCLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

MY DEAR SENATOR: I have your letter of to-day stating in reply to my telegram that Mr. Hogan's request for information was granted by the committee, and thereupon became a request of the committee; and, further, that the information will be received in executive session and considered as confidential, if desired.

Apparently, Mr. Hogan desires that the information requested be submitted to him. To quote from his testimony:

"I request that there be brought here before this committee for my use the national-bank examiner's reports themselves."

He also states that he does not suggest that those reports be incorporated in the printed record of the hearings "for the obvious and exceedingly fair reason that they will contain data of a confidential character referring to persons, citizens of this country, having no relations whatever to the controversies in which Mr. Williams has been involved."

I am directed by the Secretary of the Treasury to state that he is entirely willing for me to present to the committee in executive session any official reports or data in the possession of this office which the committee desires to examine in confidence, and which, with propriety, can be submitted by the Treasury. He is entirely unwilling, however, that I expose to Mr. Hogan, who is a director of one local bank and attorney for another Washington bank, confidential data obtained from the banks generally of this city in the performance of my official duties. Mr. Hogan is undoubtedly correct in the view that this information of a confidential character should not be incorporated in the printed record. With that the Treasury agrees; but with the further statement that, for the same reasons which it is denied to the public, it should be denied to Mr. Hogan.

I am willing to go even so far as to show the members of the committee my personal diary, to which Mr. Hogan alludes, so far as it relates to the Riggs controversy, possibly deleting in the case of confidential conferences some of the names mentioned therein. This is my personal property, but if the committee is interested in seeing it I shall be happy to comply with its request. I am not willing, however, to hand over my personal diary to Mr. Hogan.

I shall await advice from you before proceeding further in the matter.

Sincerely, yours,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

The CHAIRMAN. Mr. Hogan, in his original statement, claimed that you had discriminated against the Riggs Bank in the manner of your examinations, and in the matter of deposits, Red Cross deposits, and other matters. In your reply you introduced some of the records in your office for the purpose of showing that Mr. Hogan was mistaken, but as I understand it you did not make a complete disclosure of your examination of the banks in Washington during certain years, or a complete disclosure as to the deposits and loans, I believe, to some Government officials. I think that was involved in the hearing.

Now, he asks that you give to the committee a complete record, as indicated by his request. Isn't it possible, Mr. Williams, for you to designate the banks by numbers, and prepare a statement designating the banks by numbers and the deposits and loans—indicate them by letters of the alphabet, so that it can be put into the public record without any harm? I dislike very much to begin now with executive sessions, if we can help it. If there is any way you can give Mr. Hogan the matter that would properly come in as a contradiction to your statement, so that it can be printed in the record, I hope you can do so.

Mr. WILLIAMS. There is no possible opportunity, Mr. Chairman, and never will be for him to truthfully contradict any statement that I will make. I shall give the corroborative evidence to the committee as fully and completely as they desire it.

The CHAIRMAN. Let's keep on the track now, please. Would it be possible for you to designate the banks by numbers, and the loans and deposits by letters of the alphabet in some way, so that the disclosure will not in any way be any disadvantage to the institutions involved?

Mr. WILLIAMS. Now, may I ask once more precisely what it is that you wish? Is it a list of the Government deposits with the various banks in Washington?

The CHAIRMAN. What Mr. Hogan's—Mr. Hogan's statement is explicit.

Mr. WILLIAMS. It is very far—if you will excuse me, Mr. Chairman—it is very far from explicit, so far as disclosing his motives in asking for these particular data. I should be very glad, indeed, to know what it is that he expects to prove from these reports, which I, as I have said, am perfectly willing to lay before the committee; and I should be very glad to assist the committee in any way that I can in analyzing the matter.

The CHAIRMAN. Now, Mr. Hogan, can you inform the committee just what you wish to prove by these disclosures?

Mr. HOGAN. Mr. Chairman, may I first say that evidently, through one of those stenographic mistakes which all reporters, even the best, make, the word "my" seems to be used, according to Mr. Williams's quotation from the proceedings here day before yesterday. I did not ask that these documents be submitted to me for my use. The word I used was—submit the documents to the committee for its use. If you will refer to my letters, you will find that; and I distinctly said so here. The documents, if submitted to this committee—not to me, I do not want them; have no right to them—will show, first, that at the time when Comptroller Williams was criticizing, and to use his own expression, denouncing the Riggs National Bank and its officers for the sole—for the reason that the bank officers had loans with their own institutions, that that could not have been his reason, because his official records show at that time that 11 other national banks in Washington carried loans on their books for their officers and directors, which Mr. Williams never criticized or denounced.

Secondly, those records will show that at the time when Mr. Williams said that his activities against the Riggs Bank were due to the fact that that bank was short in its reserve, that in 80 per cent of the reports made during a period of three years to the comptroller, both by the bank examiners and the bank itself and other national banks

in the city of Washington was on 80 per cent of those occasions short in its reserve, short after the Congress of the United States had reduced the amount of reserves from 25 to 15 per cent, and that while Mr. Williams was hounding the Riggs National Bank on the now pretended ground that it had been short in its reserves, he was the instrumentality through which the other bank short in its reserves was having constantly increasing governmental deposits.

What the documents and reports, if submitted—not Mr. Williams's statement of them, but the documents—if submitted to the committee, will show is this:—Suppose we call that bank No. 1?

The CHAIRMAN. Why can't we go into that in open session?

Mr. HOGAN. Why you could. You could take these reports here.

The CHAIRMAN. What harm can result to the bank or to any of its depositors or stockholders?

Mr. HOGAN. I don't think any, Mr. Chairman, but I did not want the suggestion to come from me that anything should be made public about other banks, because I knew if I had made that suggestion, immediately it would be said that I had an ulterior motive because of my connection with other banks. That's all. But, Mr. Chairman, not only yourself, but members of the committee, regardless of their political affiliations, showed a very lively interest in the question whether or not Mr. Williams and those under his direction had really been active participants in the perpetrating of the prosecution of Charles C. Glover and the Messrs. Flather in the so-called perjury case, and having made a denial that he participated in the bringing about of criminal prosecutions, Mr. Williams was asked whether or not it wasn't a fact that the witness, upon whose testimony the grand jury predicated its indictment, included the bank examiners, and among them Mr. Trimble; and then Mr. Williams stated that it was a great and serious inconvenience that bank examiners should be called when the laws had been violated before grand juries of Federal courts; very often they could not do their other work; and Mr. Trimble handed to him a subpoena which called Mr. Trimble to appear before the district attorney on September 22, 1915, and you were thereby given the impression that the only reason why Mr. Williams's chief bank examiner in the District of Columbia, Mr. Trimble, was at all participating in the criminal prosecution, was because he was subpoenaed, whereas in truth and in fact, from May 22, 1915, until December, 1915, Mr. Trimble lived almost daily in the Riggs Bank, reported from the Riggs Bank to Comptroller Williams while he was getting data for this alleged perjury case, and then to the district attorney's office, and instead of having gone to the district attorney in September only on subpoena, Mr. Trimble and Mr. Williams knew that on numerous occasions Mr. Trimble was at the District Attorney's office, and it was through Mr. Williams and Mr. Trimble that the District Attorney was constantly being advised of the result of Mr. Trimble's digging into the archives of the Riggs Bank in order to get something to hang an indictment on.

Now, having produced that impression, which I will not characterize, I ask, not for myself, but for the committee, that there be brought here the bank examiner's record showing what Mr. Trimble was working on from May 22 until December.

The CHAIRMAN. Now, Mr. Hogan, we are not getting anywhere, and we must try to get somewhere. Let's take the first question, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the national bank examiners, as indicated by him. Is there any reason why that statement should not be presented to the committee in open session? I am reading Mr. Hogan's first request.

Mr. WILLIAMS. I will be very glad to lay that before the committee now. That's 1916, Mr. Chairman?

The CHAIRMAN. 1916. Now we want to get through these questions, and get on the track. At the bottom of the page, Mr. Hogan said that you suppressed the record of the year 1916.

Mr. WILLIAMS. That was untrue, sir.

The CHAIRMAN. Well, then that's already in the record, is it?

Mr. WILLIAMS. I now present it.

The CHAIRMAN. Well, is it already in the record?

Mr. WILLIAMS. 1914 and 1915 were the reports that were specially asked for. I will read page 114 of the hearings.

The CHAIRMAN. We are not going to read anything.

Mr. WILLIAMS. I want to show that's what he asked for, Mr. Chairman.

The CHAIRMAN. We are going through this list of questions.

Mr. WILLIAMS. Here is the statement asked for.

The CHAIRMAN. Very well. With that record, the reports of the national bank examiners, as to each and every national bank in the District of Columbia made to him in the year 1916.

Mr. WILLIAMS. That would be manifestly unfair to the banks to lay before the committee in open session the reports of the examiners as to the twelve or fourteen other national banks of the city, Mr. Hogan being a director in one, as I am informed, and attorney for another.

The CHAIRMAN. Well then, that's—

Mr. WILLIAMS (interrupting). I should be very glad to lay them before the committee, however, in executive session.

The CHAIRMAN. Yes [reading]:

Second, from the records of the comptroller's office—

Mr. WILLIAMS (interrupting). What page is that, Mr. Chairman?

The CHAIRMAN. The pages do not seem to be numbered. The pages are not numbered.

Mr. WILLIAMS. I have it.

The CHAIRMAN (reading):

From the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors and employees of every national bank in the city of Washington, first, at the time of the first report made in response subsequent to July 1, 1914, and second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

What have you to say on that?

Mr. WILLIAMS. I shall be very glad to lay that before the committee in executive session.

The CHAIRMAN. Now, couldn't that be done by designating the loan, not to the persons, but to A, B, or C, and let it go into the public record made here? It is going to be a very difficult matter to disassociate one record from another.

Mr. WILLIAMS. Mr. Chairman, with your permission I will endeavor to make an analysis of that and present a formal statement which may go into the public record after you have had an opportunity of reading the full statement.

The CHAIRMAN. You understand, Mr. Williams, this whole question may come up in the open Senate?

Mr. WILLIAMS. As I say, it would be manifestly unfair to the banks to have the whole matter before the whole Senate and country.

The CHAIRMAN. Then I suggest this, in your interest, that everything that can go into open record should do so.

Mr. WILLIAMS. It would do me no harm, Mr. Chairman, but it would be embarrassing to some of the banks.

The CHAIRMAN. Then you can prepare that so it will go in.

Mr. WILLIAMS. I will prepare a suggestion along those lines and see if it meets with your approval.

The CHAIRMAN. "Third"—Mr. Hogan's questions are so eloquent and long that I don't know as I shall include it all.

Mr. HOGAN. Just read the latter part; that's all.

The CHAIRMAN. But you can suggest anything that I omit after I finish, Mr. Hogan. "Third, I ask that he be required to produce before this committee the diary"—that is, your personal diary—"in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank and its officers, also on the subject of the Attorney General," etc.

Mr. WILLIAMS. Mr. Chairman, I have already answered that in my letter to you and expressed a willingness to lay it before the committee; but may I ask through what underground and sinister channels the witness obtained this information—in no sense an official document?

The CHAIRMAN. What do you expect to prove by that, Mr. Hogan?

Mr. HOGAN. That Mr. Williams testified untruthfully before a Senate committee of the United States when he said he took no part in endeavoring to bring about an indictment of the Riggs Bank officers, and that Mr. Williams testified untruthfully, as the diary entries will show, when he said that his actions were not actuated by personal motives against the officers of the bank. His own diary statement regarding himself and his activities will be a sufficient disclosure to show just what he did in that regard and what the motives were.

The CHAIRMAN. Frankly, I am rather disinclined to go into that.

Mr. HOGAN. For instance, he said he took no part in the perjury case. Now, his diary will show the contrary.

Mr. WILLIAMS. That statement is untrue, Mr. Chairman.

The CHAIRMAN. I do not know—if you have no objections to presenting that diary to the committee in executive session, why we will decide then as to how far the committee desires to go into it. But I would like to hear expressions from other members of the committee on that point. Personally, I am disinclined to call for Mr. Williams's personal diary unless Mr. Hogan knows just what he expects to prove by it. I have avoided fishing in this hearing, and I do not propose to go fishing.

Mr. HOGAN. I have no interest in it, Mr. Chairman; I simply suggest that was a means of getting—

The CHAIRMAN (interrupting). Then anything that Mr. Williams wishes to volunteer in executive session the committee will be glad to investigate, but further than that I do not feel like going.

Mr. WILLIAMS. It is open to the committee, in executive session.

The CHAIRMAN. Well, let's go on. Mr. Hogan goes on to state: "That diary, as I am informed, was in part in the shape of a loose leaf—" Yes?

Mr. HOGAN. Loose leaf typewritten.

The CHAIRMAN. Yes, I see.

Mr. WILLIAMS. Mr. Chairman——

The CHAIRMAN. Mr. Williams, you are more familiar with these questions than I am. If you can find the fourth——

Mr. WILLIAMS. Well, I think you read the third. The next one that I note here seems to be that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank of Washington, Riggs of course excepted, as it has already been produced, criticising, commenting upon, or making reference to letters to officers, directors, or employees, or either of these classes, written in the year 1914 or 1915. Those letters are here, and I am prepared to give them to the committee in executive session.

The CHAIRMAN. Yes. Well, proceed to the next question.

Mr. WILLIAMS. Next [reading]:

I ask that there be produced statements from the official records of the comptroller's office showing on what work James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period, and on what work those assistants were engaged during that period, and the duration in each case.

Very glad to give the committee whatever it wants there [continues reading:]

Sixth, that there be produced statements from the official records from the comptroller's office, or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States attorney for the District of Columbia, or visited the office of the United States attorney for the District of Columbia, during the year 1915, prior to September 22 of that year, after which last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

I shall be very glad to furnish such information as Mr. Trimble may have on that subject. [Continues reading:]

Next, I ask that there be produced from the official records lists showing the number of national-bank examiners and the number of assistants to national-bank examiners on duty in Washington during the years 1912-1918, inclusive, together with the names and titles.

Very pleased to furnish it, sir. [Continues reading:]

Eighth, that there be produced a statement from the official records of the office of the comptroller, showing the total amount of loans to officers, directors, and employees of each national bank in Washington, Riggs excepted, as Riggs is already in the record, at the time examinations were made by the national-bank examiners during the period from July 1, 1913, to December 31, 1916; and it is respectfully suggested that this statement be verified, by the production of the original reports of the national-bank examiners in the case of each bank examined during the period mentioned.

Very glad to give it to this committee in executive session.

The CHAIRMAN. Well, couldn't that be——

Mr. WILLIAMS (interrupting). The statements are very voluminous, Mr. Chairman.

The CHAIRMAN. Couldn't that be satisfactorily given without even disclosing to the committee in executive session the names of these officers?

Mr. WILLIAMS. Well, the reports contain not only the loans to officers, but a great deal of the inside confidential business of the banks, and state more or less criticism here and there in connection with which letters are addressed to the bank as a rule.

The CHAIRMAN. If the committee got the number of officers in the bank, without designating the names—

Mr. HOGAN. It would seem to me that would give the committee information from which the inference, I say, could be drawn. Again, Mr. Chairman, I have no interest in it; I think the committee should have the information; I do not think any confidential information should be published, of course.

Mr. WILLIAMS. May I say this: I will give you all the information that you ask for of every sort, and if the witness desires to do so, I presume he is competent to address you a communication suggesting that you give special attention to certain particular points which he may want to emphasize, if he desires to do so. That will enable the committee to get anything they want from the records, I imagine.

The CHAIRMAN. Could they not be designated by number, so they could be made public?

Mr. WILLIAMS. The reports are very voluminous.

The CHAIRMAN. This committee, for that reason, does not want to go into that.

Mr. WILLIAMS. Those reports can not be made public without doing a serious injustice to the banks.

The CHAIRMAN. You take from the reports all letters to the officers of the bank, that's the point, designating them by numbers, and compile that for the use of the committee.

Mr. WILLIAMS. In order that we may get somewhere and try to clear the way a little, may I ask whether some such statement as this would be in order? There is a list, a statement which I intend to lay before the committee in executive session, but because the form in which I have suggested that it might be best understood, the names of the officers, the president, the vice president, cashier, assistant cashier, tellers, bookkeepers, etc., and a column showing the loans to those officers in the respective banks. This particular statement which I have here is for the examinations of 1914. It shows total loans, 1913—that was the first one, I think, that was asked for.

The CHAIRMAN. 1914 and 1915.

Mr. WILLIAMS. 1913, 1914, and 1915. I think they were called for for five years, if I remember correctly.

The CHAIRMAN. If it's the ninth question—

Mr. WILLIAMS. From 1913 to 1916, was it not, from July 1, 1913, to December 31, 1916?

The CHAIRMAN. Oh, yes, yes; you are right; you are right.

Mr. WILLIAMS. I will begin at 1913.

The CHAIRMAN. We do not want to take them now.

Mr. WILLIAMS. May I just give you simply the head lines, totals for all national banks other than the Riggs?

The CHAIRMAN. No, Mr. Williams; we are not going to encumber the record with that now. We want to avoid repetition as much as we can, and that must come in later.

Mr. WILLIAMS. All right.

The CHAIRMAN. You can give us that information, but I suggest that you designate the banks by numbers, officers by letters of the alphabet.

Mr. WILLIAMS. Of course.

The CHAIRMAN. Even in executive session.

Mr. WILLIAMS. May I say this, Mr. Chairman—there is a little embarrassment, because, for example, we may say there is a bank, one bank only in the city of Washington, with a chairman of the board—the only one. You will find that the chairman of the board is borrowing \$100,000. It is information to the effect that it is the chairman of this bank—we will call it the First National Bank—making that loan. If there is one bank with a vice president and no other bank with a fourth vice president that is borrowing, say, \$100,000, it is easy to point out the bank whose fourth vice president is borrowing the \$100,000. I simply call your attention to that difficulty in the situation.

The CHAIRMAN. Well, we will pass on to the next question.

Mr. WILLIAMS. Have we passed the eighth?

The CHAIRMAN. (Reads eighth question sotto voce.)

Mr. WILLIAMS. "Ninth." Shall I go to that?

The CHAIRMAN. Yes.

Mr. WILLIAMS (reading):

I request the comptroller be required to produce here from the official records of the comptroller's office a copy of every letter sent by him during the years 1914 and 1915 to any of the banks and trust companies of the District of Columbia, calling for reports from their directors on the subject of the number of shares of stock held by them unhypothecated during their directorship. This request may, of course, exclude Riggs National Bank, as such requests sent to the Riggs National Bank are already a part of the record.

If the committee desires that information in open session, I am willing to give it.

The CHAIRMAN. Well—

Mr. WILLIAMS. I am willing, I state, to give it.

The CHAIRMAN. I would suggest that even in that case the banks be designated by numbers.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. I don't like to be an instrumentality in any way of making public those things unless it is necessary, and I don't believe it is, for the purpose of this hearing.

Mr. WILLIAMS. I can assure you, Mr. Chairman, that there is nothing with regard to the banks which would be the slightest embarrassment to me personally.

The CHAIRMAN. Oh, assuming that, it might involve the comments and discussions that it seems to me might best be avoided, if possible, in public; so I prefer you should do that as far as I am concerned. If there is any objection to that course on the part of any member of the committee, I wish they would state it. Pass on to the next.

Mr. WILLIAMS. As far as I know, Mr. Chairman, that covers the list that was requested yesterday.

The CHAIRMAN. Now, Mr. Hogan, have we omitted anything?

Mr. HOGAN. Nothing that I recall.

The CHAIRMAN. Well, have you any suggestions to make in opposition to the course taken by the committee?

Mr. HOGAN. None whatever; entirely in line with what I respectfully suggested to the committee.

Senator HENDERSON. Mr. Chairman, I did not quite catch what you said in connection with the question as to the production of Mr. Williams's personal diary. What were your comments on that? I did not quite catch it.

The CHAIRMAN. He is to use his own discretion in that matter, in executive session. If there is anything that we want—that the committee wants—I understand he is perfectly willing to give it to us in executive session.

Senator HENDERSON. I was wondering if it was a diary that was kept personally in connection with these cases, or was it just a general diary from day to day?

The CHAIRMAN. Well, Mr. Williams knows now what Mr. Hogan expects to prove by those disclosures. Now it's up to him to use his judgment in the matter.

Senator HENDERSON. All right.

The CHAIRMAN. I don't feel like going any further.

Mr. WILLIAMS. Mr. Chairman, as this question of my diary is under discussion for the moment, may I illustrate the question which Senator Henderson has just asked by reading one or two extracts from that diary to show you the character of the memoranda?

The CHAIRMAN. Certainly; anything you wish to put in the record. (Mr. Williams reads extract dated May 21, 1917, from diary, which later was ordered stricken from the record by action of the committee.)

The CHAIRMAN. Well, of course, Mr. Williams—

Mr. WILLIAMS. That refers to the Riggs Bank controversy. It was from a man who had read both sides.

Senator HENDERSON. Was this diary kept especially with reference to the banks?

The CHAIRMAN. That's all Mr. Hogan wants, of course.

Mr. HOGAN. I tried to make it exceedingly plain. I may not have done so, but the May 21, 1917, entry in this loose-leaf diary shows what I wanted for the other years which I indicated, and it is this: When Mr. Williams was endeavoring to have these men indicted, or in any manner concerned with the Riggs Bank or its officers, he put in his loose-leaf diary what he did and what he said, with the commendations of his actions during 1914-15 and 1916, when this prosecution was going on. That would be very enlightening, and the elaborate excerpt of May 21, 1917, just read, proves conclusively they must be there.

Mr. WILLIAMS. Mr. Chairman, I will say this volume here, and the other volume which I have available, contain, to the best of my belief, all the memoranda of any kind that were ever in these diaries. I have never, as a matter of fact, read the diaries over completely since

dictated, as it is my habit to call my stenographer to dictate a brief memorandum to be filed away.

The CHAIRMAN. Mr. Williams, any item that refers to the Riggs Bank prosecution that your diary contains is what Mr. Hogan wants.

Mr. WILLIAMS. This is one, Mr. Chairman; I would like permission to read this brief one.

The CHAIRMAN. Wait a minute, because you see we are losing time, and it will all have to be repeated later on, and I want to save time if possible. You have probably a number of them, and if you have everything there that relates to the Riggs Bank controversy, that you want to put into the record, that complies completely with Mr. Hogan's request. Now, if you are willing that those should go into the public record, why that ends this dispute. If you do not wish them to go into the public record, we will take them in executive session.

Mr. WILLIAMS. May I read this one that refers to it?

The CHAIRMAN. I wish you would answer my question?

Senator HENDERSON. I would not read one unless you are willing to read all.

The CHAIRMAN. I beg pardon?

Senator HENDERSON. I wouldn't read one unless you are willing to read all.

Mr. WILLIAMS. All I have are here.

The CHAIRMAN. I think it's a mistake to make two insertions of the diary in the record. If you are willing that they should go into the public record—

Mr. WILLIAMS. I am not willing that my entire private diary should go into the public record.

The CHAIRMAN. We are not asking for that, but simply for the items that apply to Mr. Hogan's question that while this controversy was on you had communications with the Department of Justice which would indicate your interest in the matter.

Mr. WILLIAMS. I know of no such records whatsoever, or communications. You refer to the perjury trial?

The CHAIRMAN. Well, to the Riggs Bank controversy.

Mr. WILLIAMS. I was a defendant in the equity case, with the Secretary of the Treasury. Of course, I was in close touch with the Department of Justice in connection with that suit. But as to the perjury case I had nothing whatever to do with it.

The CHAIRMAN. And there are no entries in your diary with regard to it?

Mr. WILLIAMS. None that I know of. As I say, I have never read it through since dictating my memoranda, but I have glanced over it.

The CHAIRMAN. Does that answer your question?

Mr. HOGAN. No, sir; I asked that now something has been put in the record on the subject, that Mr. Williams be requested, if the committee so desires, to take from his diary accurate and specific statements made there in the years 1914-1915-1916, relating to the Riggs Bank, its officers, or any of them, the Department of Justice, the Attorney General, and the District Attorney. The inference to be drawn from that will be for the committee, not for Mr. Williams or myself. That ought to be supplied. It's loose leaf.

The CHAIRMAN. What have you to say in reply to that?

Mr. WILLIAMS. I shall be very glad to go over the matter with the committee in executive session, Mr. Chairman.

Mr. HOGAN. May I say this, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. HOGAN. I personally have no right to object to any course of procedure, nor would I dare to do so, but I do not think that we should have one selected commendation put in open session, and the other things, which will show what I say they will show, put in executive session.

The CHAIRMAN. That is true, but the committee will take care of that, Mr. Hogan; but I do not feel like asking Mr. Williams to put any extracts from his personal diary into the public record, nor do I feel like asking him to disclose anything in executive session unless it directly relates to this controversy.

Mr. HOGAN. That's all I ask. If his personal diary shows personal matters, then it ought to be known to the Senate of the United States. That is simply the view of this citizen, which I suggest respectfully.

Mr. HENDERSON. Mr. Chairman, of course, there is a rule of evidence which, if we go into one part of a subject, the other side is entitled to go into the whole subject. I think in fairness to all sides, Mr. Williams should have the right to look over the diary, and see if there is anything in there pertinent to the subject matter before us, and it would be well for Mr. Williams to withdraw the statement that he has just made, reading from that diary, so nothing will appear in this record with reference to that.

The CHAIRMAN. I think that's a good suggestion, and we will strike that memorandum from his private diary from the record. Now, then, Mr. Williams, I wish you would look over that diary carefully, and at the next meeting you can state to the committee just what you are willing to do.

Mr. WILLIAMS. I state now that I am willing to go over it with the committee in executive session, Mr. Chairman, if they wish it.

The CHAIRMAN. Well, if they relate to this controversy with the Riggs Bank, you see, Mr. Hogan has insisted that you discriminated against the bank.

Mr. WILLIAMS. I have proved the contrary, Mr. Chairman.

The CHAIRMAN. Well, and you introduced a great many records which you claim disprove his statement—his original statement. Now, he says there are items in this diary which will substantiate his original statement, and my impression is if there are any such items in your diary they could go into the public record in your interest, because, if this thing comes up in open Senate, you will see the effect it will have if the committee have information which they can not disclose to the Senate; and I wish you would consider that.

Mr. WILLIAMS. Well, I don't see—

The CHAIRMAN. The advisability of giving the committee and putting into the open record any memoranda which you have in your private diary directly connected with the Riggs Bank controversy tending to substantiate or contradict the statement made by Mr. Hogan.

Senator HENDERSON. On what authority is the statement made by Mr. Hogan that Mr. Williams's private diary contained certain matters and things? Has he read that diary, or had some one read it over?

The CHAIRMAN. Mr. Hogan can state his reasons for requesting the diary. He has stated them, but he can restate them.

Senator HENDERSON. I understand they are in writing there—the questions submitted?

Mr. HOGAN. Yes.

The CHAIRMAN. Senator Henderson has not been here.

Mr. WILLIAMS. No, Mr. Chairman; as I understood the Senator, he asked why the witness makes the statement as to matters contained in my personal diary? Has he read it?

Senator HENDERSON. No; I understood the chairman to read from the questions submitted by Mr. Hogan that he had been informed, and the request is made on information and belief.

Senator OWEN. I was asking what information he had with regard to the private diary of Mr. Williams; what that information is and from what source derived.

Mr. WILLIAMS. I should like to have that answered.

The CHAIRMAN. Well, I don't know that Mr. Hogan ought to be expected to give the source of his information.

Senator OWEN. I do not care whether he gives it or not; I am asking the question.

The CHAIRMAN. He says he has such information.

Senator OWEN. I asked where he gets his information.

Senator HENDERSON. For the benefit of the Senator, I would state that it was left with Mr. Williams whether he cares to submit it or not.

Senator OWEN. I make the inquiry and I wish a definite refusal of it—what the information is and where he got it.

Mr. HOGAN. Mr. Chairman, I have no objection to answering. I never dodged a question in my life, and will not do so now. Senator Owen, some disloyal, confidential employee of Mr. Williams, whose name personally is utterly unknown to me, in the year 1916 endeavored to offer to officials and attorneys of the Riggs National Bank carbon copies of loose-leaf diary entries made by Mr. Williams with respect to Mr. Williams' activities with regard to the Riggs National Bank. The offer, if it could be so termed, was of course spurned with contempt and not accepted. That is the way, and it was reported to me that Mr. Williams at that time was keeping a loose-leaf type-written diary of his activities toward the Riggs Bank and its officers, and upon that basis wanted to know what his personal activities were as narrated by himself contemporaneously. I ask this committee to ascertain what the facts were.

Senator HENDERSON. Is that disloyal employee still there?

Mr. HOGAN. I do not know, sir. It was indicated to me, the fact that even those near the man were not loyal, and we had nothing, of course, to do with it. If he had submitted the diary to us we would not have perused it.

Senator HENDERSON. If he is still there, Mr. Williams should know it.

Senator OWEN. Then I wish to make this observation, that this alleged information of the contents of the private diary of Mr. Williams came from a person confessedly guilty of treachery and disloyalty, and the evidence which he pretended to be willing to offer, was not offered in fact. That's all I care to say.

Mr. HOGAN. Senator Owen, may I have only a minute?

The CHAIRMAN. Certainly.

Mr. HOGAN. At the hearings of the committee at which you were not present, it was stated that Mr. Williams's activities with respect to the Riggs Bank were not inspired by official desire to perform public service, but were personal and were based upon personal animosities. As a lawyer, it occurs to me that the best proof of whether that is true is that which is contained in the personal writings of the one against whom the charge is made. The courts have said, and you know it better than I do, that the source of evidence is entirely unimportant, if the evidence itself is credited; and I say, and I only submit it to the committee, because I have absolutely no interest in it, that in view of the statement which was made, and Mr. Williams's personal animus in the conduct of public office, and in view of the disclaimers made, it would enlighten this committee to have before it what he personally wrote on the subject contemporaneously. Now, that's all I have to say on the subject.

Mr. WILLIAMS. Mr. Chairman—

Senator OWEN. I recall when this committee first assembled in 1913, officials of the Riggs Bank made a very lively attack on Mr. Williams, which this committee heard, and concluded was not well founded.

Mr. HOGAN. That's right, Senator Owen.

Senator OWEN. So there might be some personal feeling on their part, and it would not be unnatural if Mr. Williams should resent it.

Mr. HOGAN. I am glad you recalled it, Senator Owen, because I recall it in the record, when you were absent. I am glad you refer to it as a "lively attack." You will further recall, Senator Owen, that the only lively attacks made on Mr. Williams at the 1913 hearings were by two officers of the Riggs Bank, and as a result of that "lively attack" the Riggs Bank suffered this two years of persecution which I have heretofore incorporated in this record. It was the result of what you called attention to that the public office was used to resent what you have described so aptly as a "lively attack."

Senator OWEN. Well, you speak of it as a result, but the result as I recall it shows that the examiners of the Office of the Comptroller of Currency, long before Mr. Williams came into the service of the Government of the United States, had made repeated efforts to persuade the Riggs National Bank officers to refrain from doing the things which were contrary to the rules and regulations of the comptroller's office, and as I understand it, contrary to the national bank act.

Mr. HOGAN. I have, of course, no right to debate the question with the Senator.

Senator OWEN. I am not proposing to debate it; I am simply answering the suggestion which you made, that the result of this "lively attack" was, in Mr. Williams's subsequent conduct, when the fact appears from the records, if I understand it, that the examiners had been for years trying to persuade the Riggs National Bank not to do certain things.

Mr. HOGAN. The Senator, when he examines the records, will find there could have been no possible relation to any bank, and that none of the criticisms of bank examiners which the Senator refers to at any date anywhere nearly approximated the activities of Mr. Williams. However, the record, of which the Senator, with so

many other things to attend to, has not read in full yet, will undoubtedly disclose to the Senator's mind, as to any fair mind—and I know Senator Owen's can correctly be described as such—that the charges that we make that there was absolutely no reference between the two things is so abundantly proved that they amount to a mathematical demonstration.

The CHAIRMAN. The question now is, whether these extracts from the diary should go into the public record, or be considered by the committee in confidence. I understand Mr. Williams has no objection to giving them to the committee in executive session. Am I right, Mr. Williams?

Mr. WILLIAMS. My letter states my position very explicitly.

The CHAIRMAN. And if you adhere to that view, why, that ends that subject. If you decide that you prefer to have them go into the public record—

Mr. WILLIAMS (interrupting). I should be glad to discuss with the committee, Mr. Chairman, the propriety of putting into the public record such portions as may seem proper to go in, or as bear on the subject.

The CHAIRMAN. Now, Mr. Hogan, are you ready to go on this morning with your reply, or do you first wish to—

Mr. HOGAN (interrupting). No, I do not first wish to, because, as I said before—

The CHAIRMAN (continuing). Examine the records that Mr. Williams is willing to put in?

Mr. HOGAN. No, I want the committee to do that. I don't care to. There is only one thing I should like to have—the list of examinations made of national banks in Washington in 1916.

The CHAIRMAN. I would suggest that we will have to close the hearing at a quarter to 12 to-day. If you will look that over and be prepared by to-morrow morning at 10 o'clock to proceed with your statement.

Mr. HOGAN. May I make a suggestion? I notice National Bank Examiner Mr. James Trimble is in the room.

Mr. WILLIAMS. Mr. Chairman, there is one statement I wish to make in connection with this before the witness takes the stand.

Mr. HOGAN. Let me finish.

The CHAIRMAN. Let Mr. Hogan finish.

Mr. HOGAN. I would like, if Mr. Trimble is in the room, for him to make a statement if he cares to do so, with respect to a visit made by him on a Sunday to the Department of Justice in the year 1915, at the request of Mr. Williams, when he appeared before the Attorney General in regard to evidence Mr. Williams was having him seek, with reference to Riggs Bank officers, if Mr. Trimble recalls it.

Mr. TRIMBLE. Mr. Chairman and gentlemen, I never made a visit in connection with the Riggs Bank to the Attorney General or any assistant attorney general on Sunday or any other day of any week in my life.

Mr. HOGAN. You understand that included the district attorney?

Mr. TRIMBLE. Yes.

Mr. HOGAN. On any date in a week in your life?

Mr. TRIMBLE. No, on any date; I never visited the Attorney General's office in my life when I got to see the Attorney General. I

went to the Attorney General's office perhaps a year ago in regard to another case under the direction of the Comptroller of the Currency to get some information in regard to another case, as to what was being done with it. I did not see the Attorney General or any assistant. I saw Mr. Bruce Bielaski.

The CHAIRMAN. You are talking about something happening a year ago?

Mr. TRIMBLE. A year ago, in regard to another case entirely, in that district.

The CHAIRMAN. You need not take up the time of the committee with that.

Mr. WILLIAMS. May I make a little statement here in regard to the examinations which Mr. Hogan has spoken of for 1916? On page 114 Mr. Hogan says:

The law requires that there shall be at least two national-bank examinations of every national bank a year. In the entire year, 1915, except the Riggs National Bank no national bank in the District of Columbia received the examinations that the law required. The primary thing for the safety of depositors and stockholders was ignored. The reports made by the banks themselves is the secondary thing by which the bank's condition may be ascertained. It is the examiners with their assistants, unannounced, the date of their coming not known, walking into the bank and sealing up things, and examining. That is the big safeguard of depositors. Why were the national banks of the District of Columbia, 10 of them, outside of Riggs, not given the required examinations in 1915? And I think I could almost say that too of 1914, to a large extent. I will show you the dates in a little while. Because the national-bank examiner and his assistants were placed in the Riggs National Bank, kept there day in and day out, kept there digging into the archives of the bank to find out something with respect to the officers' personal conduct 20 years before the time they were making the examination. That is the reason why.

Senator HENDERSON. What I wanted to know is: In the reports made by the bank to the Comptroller of the Currency were these facts relative to dummies, as referred to here, given?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. I understand, then, from your testimony, that the Nevius case was reported by the bank, as you practically explained it?

Mr. HOGAN. Yes, sir; and that when he wrote his letter of January 22, 1915, asking for those facts, he had this thing, because this is an exhibit which emanated from him, and he had it, as shown in his correspondence.

Incidentally, I will state that the reports by the bank examiners did not disclose the dummy loans. They were ascertained after investigation and oral examination of the officers themselves, but that's incidental; the statement I want to emphasize is that the record called for by Mr. Hogan was for 1914 and 1915, primarily. On the next page, 195 [reading]:

The CHAIRMAN. Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

The record shows that that statement was also incorrect. Now I will turn to page 144 [reading]:

The CHAIRMAN. What you are testifying to now, I suppose, is a matter of record?

Mr. HOGAN. Yes; all these things are matters of record.

In the year 1916 the Federal National Bank, in this city, in violation of the law which the comptroller was sworn to enforce, was subjected to a bank examination but once, and that examination was October, 1916, ending on October 2. A splendid financial institution is that bank, but what have you Senators to say when a man comes in here and swears to perform the duties of his office, in the face of that requirement of the Revised Statutes, but the comptroller

here, right in the city, when he is using his bank examiners as he used them against the Riggs Bank does not have the Federal National Bank, a block away from the Treasury examined at all from March, 1915, until October, 1916? Get, if you please, the long time that passed between those examinations.

Now, Mr. Chairman and gentlemen, that is simply another instance of the willful misstatements of this witness. There is no foundation whatsoever for that utterance of his. There were two examinations for 1916, two examinations required by law, one March 9, 1916, and the other October 2, 1916. I produce them here for the use of the committee in executive session. I simply call attention to that in passing as a simple, a minor illustration of his utter disregard and recklessness of facts in his endeavors to attack the comptroller's office.

I now submit, Mr. Chairman, a list of the examinations made by the comptroller's office of the national banks of the District for the year 1916.

The CHAIRMAN. Now, Mr. Hogan, are there any records which Mr. Williams has introduced, or will there be records which he has promised to furnish the committee which you wish to examine before you make your statement?

Mr. HOGAN. Only the one that has just been handed to you.

The CHAIRMAN. This one [indicating]?

Mr. HOGAN. Yes, sir; and I think I can look at that now with your permission.

Mr. WILLIAMS. Mr. Chairman, while speaking of the examinations for 1914, 1915, and 1916, I have answered—I have explained why it was not practicable to examine all of the banks twice, immediately after the passage of the act.

The CHAIRMAN. Yes; you have gone into that matter.

Mr. WILLIAMS. And how it became necessary for us to enlarge the force of examiners, how it was necessary to concentrate upon certain banks in bad condition and get them in clean condition, and have the necessary reforms put into effect, To prove—to show, illustrate the efficacy of the examinations by the comptroller's office, that they have measured up, I think, pretty close to 100 per cent; I remind you of the fact that from the 1st of January, 1918, until the later part of last month there were only two national bank failures in the entire country, an average of about one every 10 months. I call your attention to the fact that that record is 20 times—approximately 20 times better, nearly 2,000 per cent better than the record for immunity from failure of the national banks in the 25 years preceding the administration of the present comptroller. Now, I think that is a complete answer, a very effective answer, as to the adequacy of the examinations and the wisdom of the policies, whatever they have been, of the Comptroller of the Currency, in giving his attention to the banks that needed the examination most, and, where necessary to do so, in deferring the examinations of some of the banks which were known to be in good condition, and from whom we received reports six times a year.

The CHAIRMAN. Now, any other statement that you wish to make this morning, Mr. Williams? The committee will continue the hearings until a quarter of 12.

Mr. WILLIAMS. In connection with the inability occasionally of the comptroller's office to complete the two examinations of all national

banks, I would call attention to the fact that there have been frequent resignations in the force of national-bank examiners both in the field examiners and in the chief examiners. It appears that they receive a training in the prosecution of their duties as examiners which the national banks and State banks of the country seem to value, and they are constantly offering them larger salaries in order to utilize their skill and experience as officials of the large banks of the country. Those resignations have sometimes embarrassed us by their frequency, and the inability at once to fill the places of the expert examiners who have been called to other fields by the financial emoluments which are offered to them; but that is simply an evidence that the skill and ability of the examiners is recognized by the banks whom they are examining.

Mr. Chairman, on the particular matters which we have been discussing this morning I defer further comments for the present, but will have something further to say.

The CHAIRMAN. Now, Mr. Williams, we have to close these hearings some time. I am anxious that you complete your reply to Mr. Hogan, and then expecting—anticipating that Mr. Hogan's statement will close the hearing.

Mr. WILLIAMS. You mean finish my statement now?

The CHAIRMAN. That he is to make.

Mr. WILLIAMS. I did not understand that at all, Mr. Chairman. I assume that I will be given the opportunity of answering the statements he makes. If he confines himself to the truth, I shall have nothing to say.

The CHAIRMAN. If there is any special point contradicting the statement he makes, will it be satisfactory for you to reply in writing?

Mr. WILLIAMS. I should like the opportunity of appearing before the committee to make my statements. I have been confining myself this morning mostly to the questions which Mr. Hogan brought up yesterday.

The CHAIRMAN. Well, we have to finish it some time. Mr. Cooper, do you want to make any further statement to the committee on this matter?

Mr. COOPER. I don't think so, Mr. Chairman.

The CHAIRMAN. Very well; the committee is adjourned until tomorrow morning at 12 o'clock.

(Whereupon, at 11.35 o'clock a. m., the hearing was adjourned.)

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, SEPTEMBER 5, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.16 o'clock a. m. in the committee room, Senate Office Building, Senator George B. McLean, presiding.

Present: Senators McLean (chairman), Newberry, Henderson, and Owen.

Others present: John Skelton Williams, Comptroller of the Currency; Frank J. Hogan, representing the Riggs National Bank; Mr. Wade H. Cooper; Mr. James Trimble, national bank examiner; and others.

The CHAIRMAN. The committee will be in order.

Mr. Hogan, about how much time do you expect you will need?

Mr. HOGAN. I do not know, Senator; I will not take any more time than necessary, and there will be some things I can insert in the record without reading.

The CHAIRMAN. Mr. Williams wants to put in papers this morning that have been called for, and I suppose there is no objection to that.

Mr. HOGAN. No, Senator. As you know, I came here from New England and I am very anxious to get away.

The CHAIRMAN. Yes. Well, we will let you. Now, if there will be any comment, Mr. Williams, it will have to be postponed, because Mr. Hogan is anxious to get away. He has been here now waiting on the committee two days.

Mr. WILLIAMS. Mr. Chairman, he has called for those reports, and he has made the bold statement that if he had that information he would disprove testimony that has been given. Now, if it's a fair thing to do, I want to give that information to the committee before he answers, so he may not say he has not had the opportunity of replying.

The CHAIRMAN. Very well; proceed.

Mr. WILLIAMS. The record of the hearings before this committee on September 2, enumerated some nine sets of questions for information which were asked for:

First, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the National Bank Examiners, as commanded by law.

That was presented yesterday.

Second, from the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors, and employees of every national bank in the city of Washington,

first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

I submit the reports herewith, Mr. Chairman. They are voluminous.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his codefendants in the Riggs Bank equity case.

The CHAIRMAN. Mr. Williams, we decided yesterday that you need not submit those.

Mr. WILLIAMS. Well, they have been called for, and I am perfectly willing to submit them.

The CHAIRMAN. We understand that.

Mr. WILLIAMS. And I wish to submit these statements now:

The attached papers are copies of leaves taken from my private diary covering the years 1914, 1915, and 1916, and are verbatim copies of every entry made by me during that period, as contained in my said diary, relating to any conversation had by me or statements made by me to the Secretary of the Treasury or any other Treasury official or with the United States District Attorney or any other official of the Department of Justice, or with any directors or counsel of the Riggs National Bank, referring directly or indirectly to the Riggs controversy or to the Riggs equity suit or to the perjury suit against Messrs. C. C. Glover, W. J. and H. H. Flather, officers of the Riggs National Bank.

These, of course, are only for a conference in executive session. They are here:

Fourth, that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington, Riggs, of course, excepted, as it has already been produced, criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Mr. Chairman, those letters are here for the executive session, the executive use of the committee.

The CHAIRMAN. Are they marked "executive session?"

Mr. WILLIAMS. No; I will mark them.

The CHAIRMAN. I wish you would mark all exhibits.

Mr. WILLIAMS. Next:

That there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period and on what work these assistants were engaged during that period and the duration in each case.

I should like to read this into the record.

The CHAIRMAN. No; it will be printed. We can not wait for that now. It is not necessary.

Mr. WILLIAMS. This is not for executive session.

The CHAIRMAN. That can go into the record.

Mr. WILLIAMS. Yes; all right.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States Attorney for the District of Columbia, or visited the office of the United States Attorney for

the District of Columbia during the year 1915 prior to September 22 of that year, as to which last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

Mr. Chairman, this is a very brief letter. I would like to read it.

The CHAIRMAN. No; put it into the record.

Mr. WILLIAMS. It can go into the record though.

The CHAIRMAN. Certainly.

Mr. WILLIAMS (reading):

National bank examiner.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 4, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Before the Senate committee yesterday the witness, Mr. Frank J. Hogan, requested that he be furnished with a statement as to the occasions on which I called on District Attorney Laskey in connection with the Riggs litigation.

In reply I beg to advise you that I kept no diary of the infrequent occasions when, in the performance of my official duties, it became necessary or desirable to call on the district attorney as national bank examiner, either in connection with the Riggs litigation or in connection with any of the other cases which from time to time it has been my duty as examiner to report to the district attorney; and, therefore, I regret that it is impossible to supply, with any degree of accuracy, the number of occasions on which I called.

I will take advantage of this opportunity, however, to state most emphatically that Mr. Hogan's statements or insinuations to the effect that the indictments of Messrs. C. C. Glover, W. J. Flather, and H. H. Flather for perjury, was brought about as a result of pressure or insistence on the part of the Comptroller of the Currency or of any of the officers or employees of the bureau under him are, to the best of my knowledge and belief, wholly without foundation.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Mr. WILLIAMS (continuing):

Next, I ask that there be produced from the official records lists showing the number of national-bank examiners and the number of assistants to national-bank examiners on duty in Washington during the years 1912 to 1918, inclusive, together with the names and titles.

I submit this for the record:

SEPTEMBER 4, 1919.

Memorandum for the comptroller:

The following is a list of national-bank examiners and assistant national-bank examiners on duty in Washington, D. C., during the period 1912 to 1918, inclusive:

1912.

National-bank examiners.

Samuel M. Hann.
R. J. C. Dorsey.

Assistant national-bank examiners.

Prior to November 16, 1914 (the date of the inauguration of the Federal Reserve System), the examiners employed their own assistants and their names are not of record in this office.

1913.

Samuel M. Hann.
R. J. C. Dorsey.
R. W. Goodhart.

Same as in 1912.

1914.

<i>National bank examiners—Con.</i>	<i>Asst. national bank examiners—Con.</i>
R. J. C. Dorsey.	E. J. Donohue (Nov. 16 to Dec. 31).
R. W. Goodhart (1 examination only).	E. A. Vavrina (Nov. 16 to Dec. 31).
Owen T. Reeves.	
Sherrill Smith ¹ (Nov. 14 to Dec. 31).	
James Trimble.	

1915.

R. J. C. Dorsey.	E. J. Donohue.
Sherrill Smith ¹ (Jan. 1 to 13, Mar. 4 to 6, Apr. 14 to May 21, May 27 to Oct. 5).	E. A. Vavrina.
James Trimble.	

1916.

R. J. C. Dorsey.	E. A. Vavrina.
James Trimble.	E. J. Donohue (to June 2, 1916).
Thos. P. Howard ² (1 examination only).	

1917.

R. J. C. Dorsey.	E. A. Vavrina.
James Trimble.	Thos. F. Kane (from Mar. 16).
R. Gordon Finney (3 examinations).	M. F. Trimble (Mar. 1 to 15 only).
R. L. Hargreaves (4 examinations).	J. E. Thompson (Dec. 12 to 31 only).
Stephen L. Newnham ³ (13 examinations).	
J. K. Woods (3 examinations).	

1918.

R. J. C. Dorsey.	E. A. Vavrina (until Mar. 3, 1919).
Jas. Trimble.	Thos. F. Kane (except June 1 to Nov. 24, in Navy).
R. Gordon Finney (9 examinations).	Wm. P. Folger (employed for short periods only).
Stephen L. Newnham (6 examinations).	M. A. Creasy.
	H. A. Graham (from Oct. 1, 1918).
	J. Cooke Grayson (from July 8, 1918).
	Jas. Trimble, Jr. (Sept. 3 to 12 only).
	Thos. H. Davis (only 1 examination).
	J. E. Thompson (until Sept. 10).

H. B. DAVENPORT,
Assistant Chief Division of Examinations.

TREASURY DEPARTMENT,
OFFICE COMPTROLLER OF THE CURRENCY,
Washington, September 4, 1919.

Hon. GEORGE P. McLEAN,
*United States Senator,
Chairman Banking and Currency Committee,
Washington, D. C.*

DEAR SIR: In response to the suggestions made by you at to-day's meeting of your committee that I should furnish you a table showing the loans made to the officers, employees, and directors of the national banks in the District of Columbia in tabulated form at the times of the first examinations of these

¹ Chief examiner 7th Fed. Res. Dist. The records relative to Chief Examiner Sherrill Smith prior to Nov. 14, 1914, can not be located. Mr. Smith was on leave of absence July 3, 17, and 19, 1915.

² Chief national bank examiner, 5th district.

³ Supervising national bank examiner.

national banks in the years 1913, 1914, 1915, and 1916, I now beg leave to hand you table A, giving the above information as to the national banks of the District at the time of the first examinations in 1913, as prepared by national-bank examiners from the reports of examinations; the reports of examinations themselves I present herewith; Table B, giving the same information as to the national banks of the District for the year 1914; Table C, similar information for the year 1915; Table D, the same information for the year 1916, all certified as correct by National Bank Examiner S. B. Congdon.

The national banks of the District in each year are designated by numbers, beginning with the bank which is lending the least sum to its officers, employees, and directors, and ending with the bank which is lending the largest sum.

From the reports of the examiners which I hand you herewith, you can readily identify the bank making the loans shown in the accompanying tables.

Respectfully, yours,

JNO. SKELTON WILLIAMS,
Comptroller.

TABLE A.

The following list shows the loans made by national banks of the District of Columbia to their officers, employees, and directors at the time of the first examinations in 1913 by the national-bank examiners. The banks are numbered in the order of the aggregate amount of their loans to officers and directors, the bank at the top having the smallest amount of such loans outstanding, and the bank at the bottom the largest:

Banks.	Total loans to officers, employees, and directors.	Total loans to officers and employees.	Total loans to directors.	Banks.	Total loans to officers, employees, and directors.	Total loans to officers and employees.	Total loans to directors.
No. 1.....	\$21,724	\$5,524	\$16,200	No. 8.....	\$185,023	\$99,040	\$85,983
No. 2.....	33,155	9,062	24,293	No. 9.....	300,976	127,032	173,944
No. 3.....	102,588	21,771	80,817	No. 10.....	307,751	.....	307,751
No. 4.....	105,109	.....	105,109	No. 11.....	329,068	2,700	326,368
No. 5.....	114,282	.....	114,282	No. 12, Riggs National Bank.....	689,475	361,925	327,550
No. 6.....	118,080	2,076	115,984				
No. 7.....	149,539	37,683	111,856				

The foregoing statement shows that at the time of the examinations referred to, the Riggs National Bank was lending to its officers and employees \$301,925, or within \$2,963 of the aggregate amount lent by the other 11 banks of the District to all of their officers and employees, \$304,888.

If we should deduct from the loans to "officers" of national banks the loans to those officers who are actively engaged in outside business enterprises and who devote only a portion of their time to the affairs of the bank, we would find the total amount of money loaned by the Riggs National Bank to its active officers, \$301,925, was more than twice as large as the amount of money loaned by all of the other national banks of the District to all of their officers and employees not actively engaged in outside business, namely, \$146,239.

The statement also shows the Riggs National Bank at the time of the May, 1913, examination was lending to its officers, employees, and directors (including two "dummy" loans of something over \$40,000), the sum of \$689,475 (exclusive of indirect liabilities not included in above table which would bring the total up to over \$800,000). This \$689,475 was more than twice as much as the largest amount of direct loans of any one of the other national banks of the District at the time of the 1913 examinations to their officers, employees, and directors; in fact, the amount of such loans by the Riggs National Bank to its officers and directors exceeded the aggregate amount of such loans which were found at the time of their 1913 examinations in seven of the national banks of the District.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE B.

The following table shows the loans made by all the national banks of the District of Columbia at the time of their first 1914 examinations by the national-bank examiners, to their officers, employees, and directors:

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$29,948	\$10,298	\$19,650	No. 8.....	\$203,212	\$68,801	\$134,411
No. 2.....	39,159	8,724	30,435	No. 9.....	201,588	70,711	130,877
No. 3.....	42,042	4,273	37,769	No. 10.....	308,216	83,563	224,653
No. 4.....	106,189	3,616	102,573	No. 11.....	320,997	37,411	283,586
No. 5.....	123,991	4,675	119,318	No. 12.....	368,446	11,209	357,237
No. 6.....	131,187	15,00	115,887	No. 13 (Riggs).....	521,981	222,484	299,497
No. 7.....	172,421	75,240	97,181				

From the foregoing table it will be seen that the Riggs National Bank was loaning at the time of the first examination in 1914 to its officers and employees the sum of \$222,484 (including two "dummy" loans aggregating about \$40,000), or more than two and one-half times as much as any other national bank in the District was loaning to its officers and employees at that time.

In fact, the Riggs National Bank's loans to officers and employees exceeded the aggregate of all similar loans made by nine other national banks of Washington at the time of the examinations referred to.

Total loans made to officers, employees, and directors by the Riggs National Bank, as shown by the above table, was \$521,981. This exceeded by more than \$150,000 the aggregate of all such loans made by any other national bank in the District, and the amount of the Riggs National Bank's loans to insiders exceeded the sum total of all such loans made at the time of the examinations referred to by six of the other national banks of the District.

If we deduct from the aggregate all loans made to the officers of other national banks who are engaged in outside business enterprises and devoting a portion of their time to the banks, we will find that the amount of money that the Riggs National Bank was lending to its active officers was more than all the other national banks of the District of Columbia combined were lending at the time to all of their active officers not engaged in outside business.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE C.

The following table shows the loans made at the time of the first examination in the year 1915 by the national bank examiners of all national banks in the District of Columbia to their officers, employees, and directors.

The figures as to the Riggs National Bank were for the examination of August 16, 1915. The loans of this bank to officers and directors by August 16, 1915, while the litigation with the comptroller's office was before the court, had been reduced from an aggregate of \$689,475 at the examination of May, 1913, to \$207,047 in August, 1915.

The records, however, indicate that the active officers of the bank had not really liquidated their loans but had transferred them to other national banks with which the officers of the Riggs National Bank were in one way or another affiliated and to two local trust companies, and that the borrowings from these institutions by four active officers of the Riggs Bank had amounted to more than \$750,000 very largely upon speculative bonds and stocks.

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$33,354	.....	\$33,354	No. 8.....	155,059	65,825	90,234
No. 2.....	48,931	\$12,056	36,875	No. 9 (Riggs).....	207,047	.....	207,047
No. 3.....	49,634	14,184	35,450	No. 10.....	209,385	72,291	137,094
No. 4.....	105,171	63,540	41,631	No. 11.....	372,103	9,843	362,260
No. 5.....	113,521	8,070	105,451	No. 12.....	386,711	28,000	358,711
No. 6.....	124,756	11,089	113,666	No. 13.....	432,447	37,466	394,981
No. 7.....	135,926	13,410	122,516				

The foregoing table shows that the amount of loans made by the Riggs National Bank to its directors at the time of the August, 1915, examination was \$207,047 which was less than the loans that were being made at that time by four other national banks in the District to their directors, officers, and employees, but still exceeded by about \$60,000 the sum total of all loans made to directors of four of the national banks in the district all combined.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE D.

The following table shows the loans made, at the time of the first examinations in the year 1916 by the national bank examiners, by all the national banks of the District of Columbia to their officers, employees, and directors. This table shows that at the time of the 1916 examinations, as a result of the efforts and remonstrances of the comptroller's office, the irregular and excessive loans which the Riggs National Bank had long been in the habit of making to its officers and employees, largely on speculative securities, and on dummy loans, and which at the time of May, 1913, examination, including loans to directors, had aggregated \$689,475 (exclusive of indirect liabilities), had been largely cleaned up and eliminated and the sum total reduced to about \$225,000, or to be exact, \$224,975, immediately preceding the rechartering of the bank in June, 1916:

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$14,600	.....	\$14,600	No. 8.....	\$119,904	\$12,593	\$107,311
No. 2.....	32,591	\$12,051	20,540	No. 9.....	149,121	8,000	141,121
No. 3.....	51,840	7,313	44,527	No. 10.....	197,903	107,852	90,051
No. 4.....	89,980	9,625	80,355	No. 11 (Riggs).....	224,975	25	224,950
No. 5.....	82,078	36,247	45,831	No. 12.....	316,813	5,836	310,977
No. 6.....	87,633	1,223	86,410	No. 13.....	329,346	44,500	284,846
No. 7.....	110,914	2,655	108,259	No. 14.....	364,469	136,843	227,626

At the time of the 1916 examinations there were three other national banks in Washington whose loans to officers, directors, and employees exceeded the amount of such loans made by the Riggs National Bank. The Riggs National Bank's loans to its directors at the time had been much reduced, but still exceeded the sum total of such loans made by five other national banks of the District to their directors.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

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In fact, the Riggs National Bank's loans to officers and employees exceeded the aggregate of all similar loans made by nine other national banks of Washington at the time of the examinations referred to.

Total loans made to officers, employees, and directors by the Riggs National Bank, as shown by the above table, was \$521,981. This exceeded by more than \$150,000 the aggregate of all such loans made by any other national bank in the District, and the amount of the Riggs National Bank's loans to insiders exceeded the sum total of all such loans made at the time of the examinations referred to by six of the other national banks of the District.

If we deduct from the aggregate all loans made to the officers of other national banks who are engaged in outside business enterprises and devoting a portion of their time to the banks, we will find that the amount of money that the Riggs National Bank was lending to its active officers was more than all the other national banks of the District of Columbia combined were lending at the time to all of their active officers not engaged in outside business.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE C.

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The records, however, indicate that the active officers of the bank had not really liquidated their loans but had transferred them to other national banks with which the officers of the Riggs National Bank were in one way or another affiliated and to two local trust companies, and that the borrowings from these institutions by four active officers of the Riggs Bank had amounted to more than \$750,000 very largely upon speculative bonds and stocks.

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Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE D.

The following table shows the loans made, at the time of the first examinations in the year 1916 by the national bank examiners, by all the national banks of the District of Columbia to their officers, employees, and directors. This table shows that at the time of the 1916 examinations, as a result of the efforts and remonstrances of the comptroller's office, the irregular and excessive loans which the Riggs National Bank had long been in the habit of making to its officers and employees, largely on speculative securities, and on dummy loans, and which at the time of May, 1913, examination, including loans to directors, had aggregated \$689,475 (exclusive of indirect liabilities), had been largely cleaned up and eliminated and the sum total reduced to about \$225,000, or to be exact, \$224,975, immediately preceding the rechartering of the bank in June, 1916:

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
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No. 4.....	89,980	9,625	80,355	No. 11 (Riggs).....	224,975	25	224,950
No. 5.....	82,078	26,247	55,831	No. 12.....	316,813	5,836	310,977
No. 6.....	87,633	1,223	86,410	No. 13.....	329,346	44,500	284,846
No. 7.....	110,914	2,655	108,259	No. 14.....	364,469	136,848	227,621

At the time of the 1916 examinations there were three other national banks in Washington whose loans to officers, directors, and employees exceeded the amount of such loans made by the Riggs National Bank. The Riggs National Bank's loans to its directors at the time had been much reduced, but still exceeded the sum total of such loans made by five other national banks of the District to their directors.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

went to the Attorney General's office perhaps a year ago in regard to another case under the direction of the Comptroller of the Currency to get some information in regard to another case, as to what was being done with it. I did not see the Attorney General or any assistant. I saw Mr. Bruce Bielaski.

The CHAIRMAN. You are talking about something happening a year ago?

Mr. TRIMBLE. A year ago, in regard to another case entirely, in that district.

The CHAIRMAN. You need not take up the time of the committee with that.

Mr. WILLIAMS. May I make a little statement here in regard to the examinations which Mr. Hogan has spoken of for 1916? On page 114 Mr. Hogan says:

The law requires that there shall be at least two national-bank examinations of every national bank a year. In the entire year, 1915, except the Riggs National Bank no national bank in the District of Columbia received the examinations that the law required. The primary thing for the safety of depositors and stockholders was ignored. The reports made by the banks themselves is the secondary thing by which the bank's condition may be ascertained. It is the examiners with their assistants, unannounced, the date of their coming not known, walking into the bank and sealing up things, and examining. That is the big safeguard of depositors. Why were the national banks of the District of Columbia, 10 of them, outside of Riggs, not given the required examinations in 1915? And I think I could almost say that too of 1914, to a large extent. I will show you the dates in a little while. Because the national-bank examiner and his assistants were placed in the Riggs National Bank, kept there day in and day out, kept there digging into the archives of the bank to find out something with respect to the officers' personal conduct 20 years before the time they were making the examination. That is the reason why.

Senator HENDERSON. What I wanted to know is: In the reports made by the bank to the Comptroller of the Currency were these facts relative to dummies, as referred to here, given?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. I understand, then, from your testimony, that the Nevius case was reported by the bank, as you practically explained it?

Mr. HOGAN. Yes, sir; and that when he wrote his letter of January 22, 1915, asking for those facts, he had this thing, because this is an exhibit which emanated from him, and he had it, as shown in his correspondence.

Incidentally, I will state that the reports by the bank examiners did not disclose the dummy loans. They were ascertained after investigation and oral examination of the officers themselves, but that's incidental; the statement I want to emphasize is that the record called for by Mr. Hogan was for 1914 and 1915, primarily. On the next page, 195 [reading]:

The CHAIRMAN. Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

The record shows that that statement was also incorrect.

Now I will turn to page 144 [reading]:

The CHAIRMAN. What you are testifying to now, I suppose, is a matter of record?

Mr. HOGAN. Yes; all these things are matters of record.

In the year 1916 the Federal National Bank, in this city, in violation of the law which the comptroller was sworn to enforce, was subjected to a bank examination but once, and that examination was October, 1916, ending on October 2. A splendid financial institution is that bank, but what have you Senators to say when a man comes in here and swears to perform the duties of his office, in the face of that requirement of the Revised Statutes, but the comptroller

here, right in the city, when he is using his bank examiners as he used them against the Riggs Bank does not have the Federal National Bank, a block away from the Treasury examined at all from March, 1915, until October, 1916? Get, if you please, the long time that passed between those examinations.

Now, Mr. Chairman and gentlemen, that is simply another instance of the willful misstatements of this witness. There is no foundation whatsoever for that utterance of his. There were two examinations for 1916, two examinations required by law, one March 9, 1916, and the other October 2, 1916. I produce them here for the use of the committee in executive session. I simply call attention to that in passing as a simple, a minor illustration of his utter disregard and recklessness of facts in his endeavors to attack the comptroller's office.

I now submit, Mr. Chairman, a list of the examinations made by the comptroller's office of the national banks of the District for the year 1916.

The CHAIRMAN. Now, Mr. Hogan, are there any records which Mr. Williams has introduced, or will there be records which he has promised to furnish the committee which you wish to examine before you make your statement?

Mr. HOGAN. Only the one that has just been handed to you.

The CHAIRMAN. This one [indicating]?

Mr. HOGAN. Yes, sir; and I think I can look at that now with your permission.

Mr. WILLIAMS. Mr. Chairman, while speaking of the examinations for 1914, 1915, and 1916, I have answered—I have explained why it was not practicable to examine all of the banks twice, immediately after the passage of the act.

The CHAIRMAN. Yes; you have gone into that matter.

Mr. WILLIAMS. And how it became necessary for us to enlarge the force of examiners, how it was necessary to concentrate upon certain banks in bad condition and get them in clean condition, and have the necessary reforms put into effect, To prove—to show, illustrate the efficacy of the examinations by the comptroller's office, that they have measured up, I think, pretty close to 100 per cent; I remind you of the fact that from the 1st of January, 1918, until the later part of last month there were only two national bank failures in the entire country, an average of about one every 10 months. I call your attention to the fact that that record is 20 times—approximately 20 times better, nearly 2,000 per cent better than the record for immunity from failure of the national banks in the 25 years preceding the administration of the present comptroller. Now, I think that is a complete answer, a very effective answer, as to the adequacy of the examinations and the wisdom of the policies, whatever they have been, of the Comptroller of the Currency, in giving his attention to the banks that needed the examination most, and, where necessary to do so, in deferring the examinations of some of the banks which were known to be in good condition, and from whom we received reports six times a year.

The CHAIRMAN. Now, any other statement that you wish to make this morning, Mr. Williams? The committee will continue the hearings until a quarter of 12.

Mr. WILLIAMS. In connection with the inability occasionally of the comptroller's office to complete the two examinations of all national

banks, I would call attention to the fact that there have been frequent resignations in the force of national-bank examiners both in the field examiners and in the chief examiners. It appears that they receive a training in the prosecution of their duties as examiners which the national banks and State banks of the country seem to value, and they are constantly offering them larger salaries in order to utilize their skill and experience as officials of the large banks of the country. Those resignations have sometimes embarrassed us by their frequency, and the inability at once to fill the places of the expert examiners who have been called to other fields by the financial emoluments which are offered to them; but that is simply an evidence that the skill and ability of the examiners is recognized by the banks whom they are examining.

Mr. Chairman, on the particular matters which we have been discussing this morning I defer further comments for the present, but will have something further to say.

The CHAIRMAN. Now, Mr. Williams, we have to close these hearings some time. I am anxious that you complete your reply to Mr. Hogan, and then expecting—anticipating that Mr. Hogan's statement will close the hearing.

Mr. WILLIAMS. You mean finish my statement now?

The CHAIRMAN. That he is to make.

Mr. WILLIAMS. I did not understand that at all, Mr. Chairman. I assume that I will be given the opportunity of answering the statements he makes. If he confines himself to the truth, I shall have nothing to say.

The CHAIRMAN. If there is any special point contradicting the statement he makes, will it be satisfactory for you to reply in writing?

Mr. WILLIAMS. I should like the opportunity of appearing before the committee to make my statements. I have been confining myself this morning mostly to the questions which Mr. Hogan brought up yesterday.

The CHAIRMAN. Well, we have to finish it some time. Mr. Cooper, do you want to make any further statement to the committee on this matter?

Mr. COOPER. I don't think so, Mr. Chairman.

The CHAIRMAN. Very well; the committee is adjourned until tomorrow morning at 12 o'clock.

(Whereupon, at 11.35 o'clock a. m., the hearing was adjourned.)

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, SEPTEMBER 5, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.16 o'clock a. m. in the committee room, Senate Office Building, Senator George B. McLean, presiding.

Present: Senators McLean (chairman), Newberry, Henderson, and Owen.

Others present: John Skelton Williams, Comptroller of the Currency; Frank J. Hogan, representing the Riggs National Bank; Mr. Wade H. Cooper; Mr. James Trimble, national bank examiner; and others.

The CHAIRMAN. The committee will be in order.

Mr. Hogan, about how much time do you expect you will need?

Mr. HOGAN. I do not know, Senator; I will not take any more time than necessary, and there will be some things I can insert in the record without reading.

The CHAIRMAN. Mr. Williams wants to put in papers this morning that have been called for, and I suppose there is no objection to that.

Mr. HOGAN. No, Senator. As you know, I came here from New England and I am very anxious to get away.

The CHAIRMAN. Yes. Well, we will let you. Now, if there will be any comment, Mr. Williams, it will have to be postponed, because Mr. Hogan is anxious to get away. He has been here now waiting on the committee two days.

Mr. WILLIAMS. Mr. Chairman, he has called for those reports, and he has made the bold statement that if he had that information he would disprove testimony that has been given. Now, if it's a fair thing to do, I want to give that information to the committee before he answers, so he may not say he has not had the opportunity of replying.

The CHAIRMAN. Very well; proceed.

Mr. WILLIAMS. The record of the hearings before this committee on September 2, enumerated some nine sets of questions for information which were asked for:

First, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the National Bank Examiners, as commanded by law.

That was presented yesterday.

Second, from the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors, and employees of every national bank in the city of Washington,

first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

I submit the reports herewith, Mr. Chairman. They are voluminous.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his codefendants in the Riggs Bank equity case.

The CHAIRMAN. Mr. Williams, we decided yesterday that you need not submit those.

Mr. WILLIAMS. Well, they have been called for, and I am perfectly willing to submit them.

The CHAIRMAN. We understand that.

Mr. WILLIAMS. And I wish to submit these statements now:

The attached papers are copies of leaves taken from my private diary covering the years 1914, 1915, and 1916, and are verbatim copies of every entry made by me during that period, as contained in my said diary, relating to any conversation had by me or statements made by me to the Secretary of the Treasury or any other Treasury official or with the United States District Attorney or any other official of the Department of Justice, or with any directors or counsel of the Riggs National Bank, referring directly or indirectly to the Riggs controversy or to the Riggs equity suit or to the perjury suit against Messrs. C. C. Glover, W. J. and H. H. Flather, officers of the Riggs National Bank.

These, of course, are only for a conference in executive session. They are here:

Fourth, that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington, Riggs, of course, excepted, as it has already been produced, criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Mr. Chairman, those letters are here for the executive session, the executive use of the committee.

The CHAIRMAN. Are they marked "executive session?"

Mr. WILLIAMS. No; I will mark them.

The CHAIRMAN. I wish you would mark all exhibits.

Mr. WILLIAMS. Next:

That there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period and on what work these assistants were engaged during that period and the duration in each case.

I should like to read this into the record.

The CHAIRMAN. No; it will be printed. We can not wait for that now. It is not necessary.

Mr. WILLIAMS. This is not for executive session.

The CHAIRMAN. That can go into the record.

Mr. WILLIAMS. Yes; all right.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States Attorney for the District of Columbia, or visited the office of the United States Attorney for

year 1915 prior to September 22 of that year, and spectacularly produced before this committee to visit the United States.

He would like to read it.

He would like to read it.

STATEMENT OF JOHN SKELTON WILLIAMS.

SEPTEMBER 4, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.
adjournment, at 10.16 o'clock
Office Building. Senator George
Newberry, Henderson, and
Comptroller of the Currency
Riggs National Bank: Mr.
National bank examiner:

Mr. Williams will read the statement in the presence of the committee.

Mr. Williams will read the statement in the presence of the committee.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 4, 1919.

Today the witness, Mr. Frank J. Hogan, made a statement as to the occasions on which he was in connection with the Riggs litigation.

Except no diary of the infrequent occasions when he performed his duties, it became necessary or desirable for the national bank examiner, either in connection with any of the other cases which came before him as examiner to report to the district attorney that it is impossible to supply, with any degree of accuracy, the occasions on which I called. It is an opportunity, however, to state most emphatically that there were no insinuations to the effect that the indictment against W. J. Flather, and H. H. Flather for perjury, was the result of pressure or insistence on the part of the Comptroller of any of the officers or employees of the bureau, or of my knowledge and belief, wholly without foundation.

JAS. TRIMBLE,
National Bank Examiner.

(continuing):

That there be produced from the official records lists showing the names of national bank examiners and the number of assistants to national bank examiners on duty in Washington during the years 1912 to 1918, inclusive, and the names and titles.

Put this for the record:

SEPTEMBER 4, 1919.

Memorandum for the comptroller:

Following is a list of national bank examiners and assistant national bank examiners on duty in Washington, D. C., during the period 1912 to 1918, inclusive:

1912.

National bank examiners.

Samuel M. Hann.
R. J. C. Dorsey.

Assistant national bank examiners.

Prior to November 16, 1914 (the date of the inauguration of the Federal Reserve System), the examiners employed their own assistants and their names are not of record in this office.

1918.

Samuel M. Hann.
R. J. C. Dorsey.
R. W. Goodhart.

Same as in 1912.

first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

I submit the reports herewith, Mr. Chairman. They are voluminous.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his codefendants in the Riggs Bank equity case.

The CHAIRMAN. Mr. Williams, we decided yesterday that you need not submit those.

Mr. WILLIAMS. Well, they have been called for, and I am perfectly willing to submit them.

The CHAIRMAN. We understand that.

Mr. WILLIAMS. And I wish to submit these statements now:

The attached papers are copies of leaves taken from my private diary covering the years 1914, 1915, and 1916, and are verbatim copies of every entry made by me during that period, as contained in my said diary, relating to any conversation had by me or statements made by me to the Secretary of the Treasury or any other Treasury official or with the United States District Attorney or any other official of the Department of Justice, or with any directors or counsel of the Riggs National Bank, referring directly or indirectly to the Riggs controversy or to the Riggs equity suit or to the perjury suit against Messrs. C. C. Glover, W. J. and H. H. Flather, officers of the Riggs National Bank.

These, of course, are only for a conference in executive session. They are here:

Fourth, that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington, Riggs, of course, excepted, as it has already been produced, criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Mr. Chairman, those letters are here for the executive session, the executive use of the committee.

The CHAIRMAN. Are they marked "executive session?"

Mr. WILLIAMS. No; I will mark them.

The CHAIRMAN. I wish you would mark all exhibits.

Mr. WILLIAMS. Next:

That there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period and on what work these assistants were engaged during that period and the duration in each case.

I should like to read this into the record.

The CHAIRMAN. No; it will be printed. We can not wait for that now. It is not necessary.

Mr. WILLIAMS. This is not for executive session.

The CHAIRMAN. That can go into the record.

Mr. WILLIAMS. Yes; all right.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States Attorney for the District of Columbia, or visited the office of the United States Attorney for

the District of Columbia during the year 1915 prior to September 22 of that year, as to which last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

Mr. Chairman, this is a very brief letter. I would like to read it.
The CHAIRMAN. No; put it into the record.

Mr. WILLIAMS. It can go into the record though.

The CHAIRMAN. Certainly.

Mr. WILLIAMS (reading):

National bank examiner.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 4, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Before the Senate committee yesterday the witness, Mr. Frank J. Hogan, requested that he be furnished with a statement as to the occasions on which I called on District Attorney Laskey in connection with the Riggs litigation.

In reply I beg to advise you that I kept no diary of the infrequent occasions when, in the performance of my official duties, it became necessary or desirable to call on the district attorney as national bank examiner, either in connection with the Riggs litigation or in connection with any of the other cases which from time to time it has been my duty as examiner to report to the district attorney; and, therefore, I regret that it is impossible to supply, with any degree of accuracy, the number of occasions on which I called.

I will take advantage of this opportunity, however, to state most emphatically that Mr. Hogan's statements or insinuations to the effect that the indictments of Messrs. C. C. Glover, W. J. Flather, and H. H. Flather for perjury, was brought about as a result of pressure or insistence on the part of the Comptroller of the Currency or of any of the officers or employees of the bureau under him are, to the best of my knowledge and belief, wholly without foundation.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Mr. WILLIAMS (continuing):

Next, I ask that there be produced from the official records lists showing the number of national-bank examiners and the number of assistants to national-bank examiners on duty in Washington during the years 1912 to 1918, inclusive, together with the names and titles.

I submit this for the record:

SEPTEMBER 4, 1919.

Memorandum for the comptroller:

The following is a list of national-bank examiners and assistant national-bank examiners on duty in Washington, D. C., during the period 1912 to 1918, inclusive:

1912.

National-bank examiners.

Samuel M. Hann.
R. J. C. Dorsey.

Assistant national-bank examiners.

Prior to November 16, 1914 (the date of the inauguration of the Federal Reserve System), the examiners employed their own assistants and their names are not of record in this office.

1913.

Samuel M. Hann.
R. J. C. Dorsey.
R. W. Goodhart.

Same as in 1912.

I did not read that, Senators, as any certificate of character for myself; I read it to show you that in May, 1915, when every effort had been made by the Comptroller of the Currency, even to the extent of having gotten permission from the Department of Justice to employ, before this equity suit was ever brought or contemplated, Louis D. Brandeis, of Boston, as his counsel in Riggs Bank matters—when every effort had been made to get something that could tie an indictment against Riggs Bank officers on—as a last resort, and only futile hope, flimsy as it was, they used this affidavit, concerning which, four months before in open court the possibility that the judge might be misled by a misinterpretation of language, had not only been explicitly avoided, but the court had publicly acquitted the one who had used the language in the affidavit that was made the subject of the subsequent pretended prosecution, of ever having thought of misleading the court; and Mr. Untermeyer, who appeared before you here, disclaimed even the desire to intimate it.

Mr. Chairman, when I last appeared before this committee, you yourself asked that there be put into the record the dates, without putting the articles in, so as not to encumber the record, of press articles published in Washington newspapers around the time when I testified that it was generally reported an indictment was contemplated. May 17 to May 22, 1915, were the dates when the equity suit preliminary hearing was conducted in Mr. Justice McCoy's court. May 28, 1915, the Washington Herald published the fact that an indictment of the Riggs officers was rumored. May 28, 1915, the Washington Times published the fact that the district attorney had issued subpoenas to the members of the firm of Lewis Johnson & Co. for the production in his office of the books and records of that firm in John Doe proceedings; and May 29, 1915, the Washington Times published an article, clearly indicating that it came from official sources, which gave verbatim copies of the Glover-Flather affidavit, and the counteraffidavit of Lammond.

With these dates in mind, and the further fact that the indictment was not procured until October 1, 1915, may I now call your attention to a thing which I think worthy of putting into the record in full. Mr. J. J. Darlington never had any connection with the Riggs Bank or its officers until 1916. Mr. William G. Johnson, another very eminent leading attorney here, also never had any connection prior to the criminal proceedings in the fall of 1915, and subsequently, with the Riggs National Bank, or any of its officers, in his capacity as an attorney. When the newspaper stated that there was contemplated an attempt to indict the bank officers on the affidavit already described, I selected Mr. Darlington and Mr. Johnson as typical leading lawyers, having no connection with the matter in any way, and submitted the whole record to them for their opinion as to whether or not there was anything about that affidavit on which to base a charge of perjury; these gentlemen rendered separate opinions in writing. So that there could be no possible excuse for anyone procuring an indictment because of the mere quibble over legal terminology. I caused to be published in the Washington newspapers of May 31, 1915, those opinions; that publication was made when the local papers were publishing reports that indictments would be sought, and when National Bank Examiner Trimble, under Mr. Wil-

liams's direction, was searching for evidence on which to base indictments. Every newspaper in Washington published these opinions of Mr. J. J. Darlington and Mr. William G. Johnson, and the Post, in evident recognition of the weight that the legal eminence of these gentlemen gave their conclusions, published the opinions verbatim. Months before the indictments were procured, therefore, these things were known.

The CHAIRMAN. Have you a copy of the opinions there?

Mr. HOGAN. I have it here in my bag. Would you like it inserted, sir?

The CHAIRMAN. I certainly would.

Mr. HOGAN. I will give it to the reporter, sir.

The CHAIRMAN. Yes; any time.

Mr. HOGAN (addressing reporter). Insert it right there.

(The Washington Post, May 31, 1915.)

DENY FALSE OATH BY 'RIGGS' OFFICERS.

STOCK DEALS ON PERSONAL ACCOUNT ADMITTED. SAYS COUNSEL—MADE FACTS CLEAR IN COURT.

Reports current during the last week that John E. Laskey, United States attorney for the District, was conducting an inquiry into the stock transactions appearing on the books of the bankrupt firm of Lewis Johnson & Co. in the name of the Riggs National Bank occasioned an explanatory statement from the bank's counsel last night.

BANK'S COUNSEL EXPLAINS.

The statement was prepared by former Senator Bailey and Frank Hogan, and is in effect a restatement of the position of the bank in connection with this matter as presented to Justice McCoy by Mr. Hogan during the hearing recently on the bank's application for an injunction against the Treasury Department officials. However, Messrs. Bailey and Hogan in again presenting their argument last night that the apparent transactions, as shown on the brokerage concern's books, were not transactions of the bank offered the supporting testimony of two prominent members of the local bar, J. J. Darlington and William G. Johnson, each of whom declared that the affidavit to this effect presented in court was not only not subject to prosecution but not open to criticism of any kind.

CITE LEGAL OPINIONS.

The statement of Messrs. Bailey and Hogan, together with the opinions of Messrs. Darlington and Williams, follows:

"Apropos of the publication made in an afternoon paper here yesterday to the effect that the district attorney is conducting an investigation of the stock transactions appearing on the books of Lewis Johnson & Co. in the name of the Riggs National Bank, counsel for the bank made the following statement:

"Since the issues presented by the suit instituted by this bank were submitted to the court, neither the officials nor the counsel of the bank have deemed it proper to issue any statement. The publication of the affidavit submitted to Justice McCoy at the hearing, signed by Charles C. Glover, president; William J. Flather, vice president; and Henry H. Flather, cashier of the bank, together with the affidavit of W. Morris Lammond, formerly book-keeper of Lewis Johnson & Co., makes appropriate the following brief statement:

NOT BANK TRANSACTION.

The Riggs National Bank never bought or sold stock for its own account in connection with Lewis Johnson & Co. For years the officers of the bank, on behalf of individual customers and at times on their own behalf, transacted the purchases and sales of stock through local brokers having New York Stock

Exchange connections, among which was the firm of Lewis Johnson & Co. There was never any concealment about the transactions thus conducted, and, therefore, never any intention, in court or elsewhere, to deny their existence. Year after year national-bank examiners have repeatedly examined the books of the bank, which clearly exhibited the course of these transactions conducted by the bank officials in their individual capacity, in most instances for customers and in some cases for themselves; prior to the pending litigation repeated reports made by the bank to the Comptroller of the Currency informed his office precisely how customers had been accommodated in the making of their investments since the bank's organization. At the hearing before Justice McCoy, Mr. Samuel Untermyer implied that the Riggs National Bank had bought and sold stock for its own account. No such transaction had ever taken place.

To meet that charge the affidavit made by Mr. Glover and the Messrs. Flather was filed. The affidavit did not deny, and was not meant to deny, that there were no transactions between the officers of the bank and the firm of Lewis Johnson & Co., but it did deny the bank itself had dealt in stocks, and counsel for the bank explicitly declared in open court that this was the purpose of the affidavit. There was no possibility of misinterpreting or misunderstanding the affidavit while the court hearing was still in progress and before any decision of the court on any of the issues had been rendered.

In view of rumors, subsequent to the trial, that the affidavit was questioned, and in order that the directors of the bank might be fully informed, Frank J. Hogan, of counsel for the bank, some days ago procured opinions from two of the leaders of the Washington bar, J. J. Darlington and William G. Johnson, each of whom says that the affidavit is not only not the subject of prosecution, but is not open to criticism of any kind.

OPINION BY MR. DARLINGTON.

"The opinions rendered are as follows:

"MAY 26, 1915.

"MY DEAR MR. HOGAN: I have considered as carefully as I could in the short time I could give to the subject to-day your inquiry whether, in my opinion, the allegation in the affidavit of Messrs. Glover, Flather & Flather of May 19, 1915, that the Riggs National Bank "never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co." can form the subject of a successful criminal proceeding.

"The clause of the affidavit in question is open to one or the other of the following constructions:

"(a) That the bank never at any time, on its own account, bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; or

"(b) That the bank never at any time, either on its own account or as agent for other persons, bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.

"A statement that the former of these constructions was that which was intended by the affidavit was made at the time of its presentation to the court and leave obtained to file it, as appears at pages 425-26 of the stenographic record of the hearing—this statement of the sense in which the language was used being made by yourself, the attorney who drew it and by whom it was presented to the affiants.

"It is an elementary principle in both civil and criminal law, and especially in the latter, that words are to be taken in an innocent rather than in an illegal and especially rather than in a criminal sense, where they are open to two constructions. I am of opinion that, on this ground, the clause of the affidavit in question must be taken as referring to transactions by the bank on its own account, and, assuming the statement to be true in that sense, the affidavit not only is not the subject of a successful criminal prosecution, but is not open to just criticism or censure of any kind. The fact that, as stated, its presentation to the court was accompanied by a statement, of record, of the purpose for which and the sense in which it was offered, would be strongly corroborative of this view and should, in my opinion, of itself be decisive of the question.

"Upon each of the principles above stated, I am of opinion that, if the bank never bought or sold stock on its own account from or through the firm of Lewis Johnson & Co., the allegation of the affidavit in that respect is not open to just criticism and certainly not to criminal prosecution.

"The above considerations would apply equally to the succeeding clause of the affidavit, that the bank never at any time made short sales of stock from or through Lewis Johnson & Co.

"That the affidavit was understood by the Government itself, through its counsel, in sense (a), and, therefore, in the sense to which, in my opinion, it is not open to any charge of falsity if the bank did not buy or sell stocks on its own account, is apparent from the following extract from the argument of Mr. Untermeyer, at page 620: "It (the bank) was doing an open stock brokerage business, and it has not denied it and it can not deny it."

"J. J. DARLINGTON."

OPINION OF W. G. JOHNSON.

"MAY 26, 1918.

"I have given very careful consideration to the question of the proper interpretation of the affidavit of Messrs. Charles C. Glover, William J. Flather, and Henry H. Flather, executed May 19, 1915, and filed in equity cause No. 23360, Riggs National Bank v. John Skelton Williams, comptroller, et al.

"I had the benefit of hearing most of the discussion over this affidavit at the time it was offered to the court, and subsequently, when its verity was attempted to be assailed by Mr. Untermeyer, including the observations of the court.

"I have also had the benefit of being present at the full discussion of the matter between you and Mr. Darlington to-day.

"In my opinion, the statement in the affidavit that the Riggs National Bank never bought or sold any stock whatever from or through the firm of Lewis Johnson & Co., and never made a short sale of stock through that firm is insusceptible of extension to a denial of any act except transactions of that nature on its own account for its own benefit, in which it was the owner selling, or became the owner by purchase, in its own corporate right; or was in its own corporate right interested in the avails of a short sale, and that the terms of the affidavit can not be construed as extending to such purchases or sales, if any such were made by it, as the agent or broker of any person or corporations.

BOOK ENTRIES UNIMPORTANT.

"If, as I assume, the statement in the affidavit as thus construed be true, no conviction of false swearing could possibly be based upon it, whatever the bank may have done as agent or broker for others.

"A moment's reflection must convince any lawyer that if the Riggs National or any of its officers had received my money to purchase stock for me from Lewis Johnson & Co., no amount or character of book entries or forms of dealing between them could prevent my showing the true nature of the transactions, that the bank or its officers were my agent and that the stock was my property and not the banks.

"WILLIAM G. JOHNSON."

The CHAIRMAN. Those opinions probably contain a clear statement of the alleged perjury contained in the affidavits?

Mr. HOGAN. Exactly.

The CHAIRMAN. And what the Government claimed the error was, and the opinion of the counsel as to whether it was an indictable offense or not, is what I want to get into the record somewhere.

Mr. HOGAN. I will put them in here, sir.

The CHAIRMAN. Yes.

(The newspaper article and opinion have been inserted in the record above.)

Mr. HOGAN. And that by counsel who though they were subsequently in the criminal case months afterwards were at that time selected; first, because of their eminence; second, because of their ability; third, because of their integrity; and, fourth, because of their absolute impartiality, as they had had no connection with the matter.

Now, as to the evidence of the astounding fact that the absence of the word "itself" was put forth as an excuse for the indictment: In the course of the cross-examination of myself conducted for the prosecution by Assistant Attorney General Fitts during the criminal court trial the following questions were propounded and answers made as shown by the record of the proceedings on that trial, pages 1401-2:

Question. Did you explain to them (the affiants) that the meaning of that affidavit was simply that the bank had not bought and sold stock for itself?

Answer. I did.

Question. Then why did you omit the word "itself" from the affidavit?

Answer. Because I don't consider that it ought to be there. I consider when I say the Riggs National Bank did not buy stock that that has only one meaning. I know the meaning of the word "buy," and it means to acquire title for cash to a thing. The word "sell" means to pass title for cash to a thing as distinguished from "exchange."

Question. That is your explanation of why you did not put the word "itself" in?

Answer. Exactly. I thought it would be mere surplusage. I still think so.

Question. Then that affidavit represents your constructive work of what you think a truthful affidavit ought to be?

Answer. Yes; or, taking all these facts together, the conclusion. What those facts present I put in that affidavit.

Question. And you think an affidavit with words that carry its ordinary meaning left out is sufficiently clear?

Answer. I do not think so. I think that the ordinary meaning of those words in that affidavit bear but one construction.

Question. It seems that a difference of opinion has arisen about that.

Answer. Exactly. As I said before, it shows how easy it is to misinterpret a written paper.

So we have from the Government's attorney, in the foregoing, the substantial admission that three citizens of standing were subjected to indictment because of a quibble over whether the word "itself" should have been in an affidavit, so as to make it read "the Riggs National Bank itself did not buy stock," when in fact the affidavit read "the Riggs National Bank did not buy stock," and the further showing that these men were indicted because of a difference of opinion regarding, or misinterpretation of, the wording of a paper filed by counsel in a civil suit. Is it not plain that the indictment resulted because that civil suit had been brought against the Comptroller of the Currency? Is it conceivable that upon such a pretext an indictment would have been procured if the affidavit in question had been filed in a litigation between ordinary individuals?

Comptroller Williams has told you in his testimony here that this is a "perjured affidavit," and takes the position that the defense to it was not that it was true but that it was drawn by counsel and signed by the bank officers under the advice of counsel. The record sufficiently answers this. Early in 1916 when the officers of the Riggs National Bank who had been indicted were earnestly seeking a trial, and were meeting with delays from the Government's representatives, we filed a motion in court for a bill of particulars and for a prompt trial. That motion came on for hearing April 7, 1916, and on page 72 of the record of the criminal court proceedings it will be found that Mr. James B. Archer, assistant district attorney, in the course of his remarks, said:

We have known that there has been a newspaper campaign, natural or inspired, undertaking to show that the swearing to this affidavit, which is the subject of this case, was an accident.

And immediately, in open court, counsel for the defendants said—and this thing was published in every newspaper, so the comptroller must know it—

Mr. HOGAN. If your honor please, the statement has just been made by counsel for the Government, in absolute defiance of the Court of Appeal's opinion rendered in the case of *Fulton v. United States*, just last week, that a newspaper campaign has been carried on—I assume he means by these defendants or their counsel—undertaking to disseminate in this community the idea that the swearing by Mr. Glover and the Messrs. Flather to this affidavit was an accident.

That statement is as utterly untrue as any statement that could possibly fall from the lips of man. There has not only been no attempt to say to this court or to this community that that affidavit was sworn to by accident, but as the judicial records of this court show that I drew that affidavit, I deny and refute the insinuation coming from a sworn officer of the Government that those men or the drafter of the affidavit would stand in any court, or any community, and claim that thing an accident.

As the district attorney sat in this court when Mr. Justice McCoy presided and heard how that affidavit was drawn, his assistant could have no possible warrant for his statement. I say here, now, that no more deliberate act was ever done by human being than the act of the gentlemen who swore to that affidavit, or the act of the member of this bar who drew that affidavit.

That was before the trial, Senators. Was there any dodging, ducking, or side-stepping—if I may use the ring-side parlance of the honorable Comptroller of the Currency—in that statement to the court? I repeat, that statement was publicly made about what, despite an open trial and acquittal of the makers, Mr. Williams here again calls a “perjured affidavit,” and tells you that the makers were acquitted only because I took the responsibility.

I had stated in the equity proceedings that the mere drafting of the affidavit was, of course, hurriedly done. It was hurriedly dictated in the midst of a trial, and it took only a few minutes to dictate it. So, when the trial on the indictment was on, Mr. Assistant Attorney General Fitts, specially assigned to conduct on behalf of the prosecution that remarkable trial, elicited by cross-examining me, while I was on the witness stand for the defense, the following, which is taken from pages 1371, 1372, and 1374 of the record in the criminal proceedings, the questions being by Mr. Fitts, representing the Government, and the answers being by myself:

Cross-Examination by Mr. FITTS:

Question. You say you stand by this affidavit?

Answer. I do.

Question. And that it was prepared by you?

Answer. It was.

Question. You stated here in this court room to Justice McCoy on the hearing on the forenoon of the 21st of May, 1915, that this affidavit had been hurriedly prepared, did you not?

Answer. I did use that expression. In explaining what might be the reason for misunderstanding, I said that in the hurried drafting of the affidavit, the hurried preparation of the affidavit, I might have been unfortunate in conveying the wrong inference.

Question. Do you deny that you stated on that occasion that it had been hurriedly prepared?

Answer. I have already said what I stated, and I stand by it.

Question. What is that?

Answer. That in the hurried drafting of this affidavit I might have used language which conveyed a wrong inference to his honor's mind.

Question. And on the forenoon of April 8, 1916, here in this same court room, you stood here and said, did you not, that no more deliberate act was ever prepared by human hand?

Answer. Exactly, and I said just that to this jury five minutes ago, and repeat it now.

Question. You claim that both of those are true?

Answer. Absolutely true. It took one minute to dictate that. That is a matter of hurry in using language, the act of getting that up was perfectly deliberate. It was the result of a year of gathering facts. * * *

Question. You do not claim, then, that that tells the truth on the face of it?

Answer. Of course it does. I not only claim it, but nobody would dispute it.

You have been told by Mr. Williams, in effect, that the defense was not that the affidavit was true, but the defense was that the defendants could escape because they acted on advice of counsel. Here is the record showing what was said to the jury on the trial, from which you will see that the defense was truth. On page 1374, question by Assistant Attorney General Fitts, answer by myself, referring to the affidavit:

Question. You do not claim, then, that that tells the truth on the face of it?

Answer. Of course it does. I not only claim it, but nobody would dispute it.

On pages 1400-1402 the following testimony was given, the questions being by Mr. Fitts, the answers by myself:

Question. Did you explain to Mr. William J. Flather that affidavit was to be used to meet the situation that had been presented by the Bennett affidavit and its exhibits?

Answer. No, I did not. I explained to him precisely the contrary.

Question. You did?

Answer. I explained to him that that affidavit was to be used to meet what I had understood Mr. Untermeyer's statement to be after recess.

Question. Did you understand that it was necessary to meet, by pleading in a cause, the mere statements of counsel?

Answer. I understood that in that case a statement which carried that inference should be met by that affidavit. At least, I thought it advisable.

Question. And you deny that you prepared that affidavit to meet the Bennett affidavit and its exhibits?

Answer. I absolutely deny it. If I had done that, I would have prepared it before May 17.

Question. You stand by that?

Answer. You bet I do.

Question. And it would take a miracle to change that?

Answer. Yes, it would.

Question. Did you explain to them that the meaning of that affidavit was simply that the bank had not bought and sold stock for itself?

Answer. I did.

Question. Then why did you omit the word "itself" from the affidavit?

Answer. Because I don't consider that it ought to be there. I consider, when I say the Riggs National Bank did not buy stock, that that has only one meaning. I know the meaning of the word "buy." It means to acquire title for cash to a thing. The word "sell" means to part with title, for cash, to a thing, as distinguished from "exchange."

Question. That is your explanation of why you did not put the word "itself" in?

Answer. Exactly. I thought it would be mere surplusage. I still think so.

Question. Then that affidavit represents your constructive work of what you think a truthful affidavit ought to be?

Answer. Yes; or, taking all of these facts together, the conclusion. What those facts present I put in that affidavit.

Question. And you think an affidavit with words that carry its ordinary meaning left out is sufficiently clear?

Answer. I don't think so. I think that the ordinary meaning of those words in that affidavit bear but one construction.

Question. It seems that a difference of opinion has arisen about that.

Answer. Exactly. As I said before, it shows how easy it is to misinterpret a written paper.

On pages 1418-1419 the testimony continues:

Question. At the time you prepared that affidavit for these defendants to sign, did you know that it was the custom of the Riggs National Bank through its officers and employees to enter a credit in the pass book of Lewis Johnson & Co. with the Riggs National Bank upon the receipt at the bank of advices from Lewis Johnson & Co. that the stock had been purchased for the account and risk of that bank?

Answer. I knew that when the bills came in for stock bought, it was the custom to treat that as a deposit and credit Lewis Johnson & Co. I knew just what is shown here in evidence by the United States was the way these transactions were carried on; yes.

Question. You knew that those advices came to the Riggs National Bank advising it that those purchases had been made for its account and risk?

Answer. I knew the form. I had never seen the advices actually addressed to the bank. For several years they had been put on a form, and I knew the wording of that form of advice.

Question. You knew the money was passed to the credit of Lewis Johnson & Co. and was available to them before the stock certificates were actually received at the bank.

Answer. Yes; I knew that accommodation was extended to Lewis Johnson & Co., and incidentally the customers.

Question. And in the face of that you had the defendants swear to what is contained in this affidavit.

Answer. Yes. It was absolutely true. Why shouldn't I?

Question. You still contend it is true?

Answer. No doubt about it in my mind. I never contemplated for a moment that such a preposterous thing as an indictment would be predicated on that affidavit.

Question. Among other things that Mr. William J. Flather asked just before he signed that affidavit that afternoon or evening was whether it would be safe to sign the affidavit, did he not?

Answer. He did not ask me anything of the kind.

Question. Did he not ask you whether it would be perjury to sign it?

Answer. Of course not. If he had I would have told him no, but he did not ask it.

Question. He did not?

Answer. No; he did not. Such a thing was never suggested. As I told you a few moments ago, I did not think it was possible for anybody to suggest that that affidavit was perjury, much less charge it.

The above was the testimony presented to an American jury. The issue was square cut and manfully met. The charge was that the affidavit was false. The defense was that the affidavit was true. The charge fell. The defense was upheld. When I last appeared before this committee I in detail told you how the defendants were acquitted—the vindication and the ovation which was given them. I need not repeat it now.

Have I not now shown you the utterly inexcusable and the pitifully flimsy character of the charge on which the so-called perjury prosecution was founded and the undoubted acquittal of the bank's officers on the merits of the case? What do you think, Senator Henderson—do not express it now, but when you come to pass upon this thing—of the procuring of an indictment on a charge of perjury based upon the question of the construction of language in a legal document, used in a civil suit, drawn by counsel in that suit, and signed by clients under counsel's advice, and explained immediately when there was some question raised about its construction? Is it not too plain for argument that such an indictment was based on the personal animus of the Government official whose hostility dictated the desire to use the power of the Government, of which he was a part, against the men indicted?

When Mr. Darlington made his statement to this committee, which will be found in part 2, pages 163-170 of these hearings, Senator Henderson asked him whether or not at the time the bank's officers were demanding a trial of the perjury charge against him and were meeting with opposition in getting it the local court dockets were crowded. They were. They have always been. But there were two criminal courts at that time, and one of them was hearing civil cases. For months after this indictment was procured—for the defendants were not able to obtain a trial for more than seven months after the indictment was filed—municipal court appeal cases and things of that sort were being heard in criminal court No. 2; the law designates two branches of our court as criminal courts: when criminal cases are not being tried in what is known as criminal court No. 2 that court is used as a sort of "waste basket" for miscellaneous matters, and it was hearing these petty civil cases when we were incessantly knocking at the door for a trial. It took less than one day before the grand jury to procure the indictment; it took seven months for the prosecuting officers to consent to a trial under the indictment; it took the Government more than two weeks to present on the trial the evidence on which it relied to support the indictment thus expeditiously obtained and thus so slowly brought to trial.

The overwhelming force of the acquittal of the Riggs Bank's officers is attempted to be lessened by Mr. Williams in his already referred to communication to the chairman of this committee, dated August 12, 1919, in which he charges that counsel for Mr. Flather had refused to permit him to "incriminate" himself and also that documentary evidence which would have established the guilt of the bank's officers had been destroyed. I shall not appropriately characterize either of these charges here. I shall be content to allow the facts to speak for themselves.

On May 28, 1915, a few days after the close of the preliminary arguments in the equity case, while that case was pending, and while the newspapers carried reports of a threatened criminal prosecution, Mr. Williams brought from Chicago National Bank Examiner Sherill Smith; he was not satisfied with the progress being made by the local bank examiner, Mr. James Trimble; as I have already said, this Mr. Smith was supposed to be keen as a cross-examiner; so Mr. Williams brought this Chicago examiner here, and sent him into the Riggs Bank, and he put the officers under oath and started to ask those officers to turn over to Mr. Williams, first, the evidence that we were going to use in our equity suit; and, second, the papers pertaining to the Lewis Johnson & Co. transactions upon which they hoped to predicate an indictment. As a lawyer for the bank, having charge of the pending litigation, and as counsel for the bank's officers, who by rumor were thus threatened, I told Mr. Smith that anything he wanted with regard to the affairs, the condition, of the bank, of course he was entitled to; but that he could not go in there and get out of us the evidence in our defense in these cases unless I could have from an appropriate Government officer assurance that it was not to be used as evidence in any case.

Now, Senator Henderson—of course, I do not expect you to answer now—but you are a lawyer, you have had experience in my profession—would you, or any other decent lawyer charged with

cases of that kind at that time, have done anything else? Mark you, I did not use a word about incriminating himself; there is not a word in my statement, which you will find quoted on pages 3 to 5 of this pretended letter from the comptroller to the chairman of this committee, dated August 12, 1919, in which I told Mr. Flather or anybody else that he should not answer on the ground he might incriminate himself; not the slightest suggestion of that from me, but the statement that unless and until we were assured they were not simply trying to dive into our papers for evidence in these cases, I was not going to permit him to answer. That is all.

Yesterday you were told by Mr. Williams that I could not show one single statement ever made by him that was not absolutely true. I turn directly to pages 12 and 13 of this letter of his of August 12, 1919. When I last appeared before this committee I showed that in March, 1915, the Riggs Bank had received a letter from the comptroller asking it to report what bank records had been destroyed, and directing the bank not to destroy any records; and then I read from the sworn statement of the bank's officers, in which they informed the comptroller that no bank records had been destroyed, and no bank records would be destroyed.

By reference to pages 11 to 13 of the Williams August 12, 1919, communication you will find a black-face type heading, of Comptroller Williams's composition, reading:

Bank destroys incriminating evidence, though Hogan falsely declares to Senate committee bank had never done so.

Really, Senators, I can not characterize that statement without using, what I will not use here, a short and ugly word.

On May 28, 1915, after we had completed the preliminary arguments in the equity case, before that case was at issue, and after in open court we had said to the court that the case was going to be tried on its merits, at which time all of the evidence to substantiate the bank's charges would be produced, and after the local newspapers had indicated that an attempt was going to be made to indict Riggs Bank officers—in that situation, with a civil case pending and a criminal case threatened, Mr. Williams sent to the Riggs Bank Mr. James Trimble, national bank examiner, and Mr. Sherrill Smith, national bank examiner, with a corps of assistant bank examiners, to get the papers relating to stock transactions with Lewis Johnson & Co., as a preliminary to the then threatened indictment, which, as I have already shown you, was then a matter of local press report. When these emissaries of Mr. Williams arrived at the bank the bank's officers were summoned into the board room, put under oath, and there occurred what Mr. Williams has set out on pages 12 and 13 of his August 12, 1919, letter, as follow:

MR. HOGAN. Mr. Flather, Mr. Smith wants to know if there is any book kept in the bank, or any books kept in the bank, in which there were entered a record of any of the transactions of purchases of stock or anything else with Lewis Johnson & Co.?

MR. W. J. FLATHER. Let me understand this, just what the question is?

MR. HOGAN. Are there books, or did the bank keep any books, in which they entered the transactions—did the bank or its officers or anybody connected with it keep any books in which were kept a record of the purchases of stock which you made?

MR. W. J. FLATHER. We have an order book there. Is that what you refer to?

EXAMINER SMITH. That would contain orders and sales?

Mr. W. J. FLATHER. That would contain orders and sales.
 Examiner SMITH. Orders and sales?

Mr. W. J. FLATHER. Yes; purchases and sales.

Examiner SMITH. That book has been kept all—

Mr. W. J. FLATHER (interrupting). I do not know how long it was kept.

Mr. HOGAN. It will show for itself.

Examiner SMITH. He said there is a book, and I was going to ask if there was one or several?

Mr. W. J. FLATHER. There is a book in which the orders for the purchase and sale of stocks and bonds have been entered. Is that what you want to know?

Mr. HOGAN. Yes; there is such a book?

Mr. W. J. FLATHER. Yes; there is such a book.

Mr. HOGAN. Are there more than one of that kind?

Mr. W. J. FLATHER. Yes; I think there are. I think there are two books, are there not?

Mr. GLOVER. I don't know.

Examiner SMITH. That is, two books, or probably three? I mean a book like that has been kept continually for the purpose of recording purchases and sales or orders, as you call them?

Mr. W. J. FLATHER. Yes; which have been kept. I can not say that that is a complete book, Mr. Smith.

Mr. HOGAN. It that all you have?

Mr. W. J. FLATHER. It is all we have.

Examiner SMITH. How about—I will address this remark generally, because I do not know—or I can ask each separately. How about the confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co.? Are those filed?

Mr. W. J. FLATHER. Filed, you say?

Examiner SMITH. Yes.

Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle, as other orders for drafts and the like of that. There may be some of them in the office. I do not know.

Examiner SMITH. Do you mean—

Mr. W. J. FLATHER (interrupting). They were not kept off any time.

Examiner SMITH. Not kept at all, you mean?

Mr. W. J. FLATHER. No; they were not considered of any value.

Examiner SMITH. Were they just—

Mr. W. J. FLATHER (interrupting). They were put on the spindle and, from time to time, like other waste paper, they were thrown away.

Examiner SMITH. They were never permanently filed?

Mr. W. J. FLATHER. No.

Examiner SMITH. So there is no complete file of them?

Mr. W. J. FLATHER. No, sir.

Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?

Mr. H. H. FLATHER. Well, do you mean by giving the orders or receiving—

Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

Mr. H. H. FLATHER. I gave a good many of the orders.

Having thus quoted, Mr. Williams said:

This furnishes only cumulative evidence of Mr. Hogans' complete disregard of truth. The record shows that the purchases and sales notices which were sent to the bank and which the bank destroyed were in the name of the Riggs National Bank and addressed to the bank as such. The purchases had been made by Lewis Johnson & Co. for the bank and credited by the bank on the passbook of Lewis Johnson & Co., and the brokerage firm paid the bank by check for the proceeds of the sales of the stock as sold.

On page 118 we find the following statement was made before your committee by Mr. Hogan on July 10, 1919:

"MR. HOGAN'S FALSE AND SWEEPING DENIAL.

"I want to say, while I am looking for this, that during the entire existence of the Riggs National Bank none of its records were ever destroyed. No one

had ever intimated that any of its records had been or would be destroyed. There was never any reason for destroying its records."

Mr. Hogan's foregoing statement is proved by the testimony of the bank officials quoted above to have been untrue—and was knowingly false—for Mr. Hogan had been present in May, 1915, when the officers of the bank excused themselves from producing those notices reporting the purchases and sales of stocks on the ground that they had been destroyed—in fact, Mr. Hogan had prompted or directed these officers in their replies during their examination.

Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank.

The last paragraph I have just read is all italicized.

Senators, first, those papers were not destroyed; second, John Skelton Williams knew they were not destroyed; third, those papers were, within a few days after Mr. Flather made the above-quoted statement, found to have been kept in the basement of the Riggs Bank; fourth, from May 1915, to October, 1915, those very papers which Comptroller Williams here, with almost inconceivable falsity, tells you were destroyed in order to conceal "incriminating evidence," were almost daily in the possession of and under the examination of National Bank Examiner Trimble and his assistants, working under the immediate personal direction of and reporting daily to John Skelton Williams; fifth, those papers were produced in open court by the counsel for the bank in the criminal trial for alleged perjury, and day after day, one by one, the Lewis Johnson & Co. notices of sales and purchases and bills covering purchases of stocks were publicly handed to the district attorney when he called for the same to be used in evidence. A table in the open courtroom was covered with papers that Mr. Williams now says had prior to that time been destroyed in order to suppress "incriminating evidence." I produce here and exhibit to you more than a thousand of those very papers, and I hand each of you, Senators, for personal examination, examples of these papers. The local newspapers, during the criminal court proceedings, commented on the fact that it appeared at times that Mr. Hogan, of counsel for the defense, was assisting the district attorney, so promptly were papers furnished.

Senator HENDERSON. Are those the papers referred to in that statement just read?

Mr. HOGAN. Yes; precisely; not only, Senator Henderson, not only were they produced in court, but Mr. James Trimble, national bank examiner, who has been in this room during these hearings, between May, 1915, and October, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with the number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transactions. Mr. Trimble, reporting daily to the comptroller, spending months with his assistants going through every one of these papers, not only found them, but marked them, may I show you, Senator Henderson, the little mark on them? Those little marks there, the green marks were put there by one of the bank examiners, not by us. That there may be no possibility, however, that Mr. Williams did

not know that these advice slips were not thrown away, as Mr. W. J. Flather, without opportunity to examine into the matter, had apparently thought they were when he answered Bank Examiner Smith on May 28, 1915, I invite your attention to the further fact that in May, 1916, the United States district attorney—mark you, this was a year after Mr. Williams says these documents had been destroyed, and had been destroyed because they were “incriminating evidence”—issued a subpoena to Mr. Ailes, vice president of the Riggs Bank, calling upon him to bring into court these very papers, which subpoena expressly specified them, and, of course, the only way the district attorney could have specified them was by using the information regarding their possession by the bank, which information the comptroller's office gave to the district attorney, through Mr. James Trimble, who in this matter was the alter ego of John Skelton Williams.

Moreover, as I will now show you, Mr. James Trimble went on the witness stand in behalf of the prosecution in the criminal court case and testified that a few days after Mr. Flather, speaking from memory, had said that these things were put on a spindle and thrown away after they had served their purpose—just as Mr. Williams told you this morning that in his office memoranda about the oaths of bank directors were destroyed—Mr. Trimble, I repeat, went on the witness stand and testified that these notices of purchases and sales had been found in the basement of the bank, did not have spindle holes in them, and that he judged there were about 1,500 of such notices. I quote the testimony of Mr. Trimble, pages 1059-1061 of the record of the criminal court proceedings:

JAMES TRIMBLE called as a witness on behalf of the United States, being first duly sworn, testified as follows:

By Mr. ARCHER:

Question. What is your full name?

Answer. James Trimble.

Question. What is your business?

Answer. I am at present a national-bank examiner.

Question. How long have you been a bank examiner?

Answer. Since about the middle of March, 1914.

Question. Mr. Trimble, are you acquainted with the defendants, Messrs. Glover and Flather?

Answer. I am.

Question. I will ask you whether there came a time when you were called at the bank and talked to either of those gentlemen with reference to the advices and bills of Lewis Johnson & Co. Just answer that, yes or no.

Answer. Yes; there was.

Question. When was it?

Answer. It was about the first week in June. I can not state positively the exact date.

Question. What year?

Answer. 1915.

Question. What was your conversation with him relative to advices and bills?

Answer. I asked all of these officers for the advices and bills that had come from Lewis Johnson & Co.

Question. What did they say?

Answer. They said that the advices and bills had been used as memoranda only and had been placed upon the spindle until the transactions were completed; and then, having no value that they were put into the wastebasket or destroyed—or at least they did not have them in the bank.

Question. Did there come a time after that when you found the advices or came across any advices or bills?

Answer. I had been in there about two weeks, 10 days or two weeks, and one evening, about 5.30 o'clock I had gone down in the basement, started toward the washroom, had been in the washroom prepared to leave the bank, having finished my work for that day, and I saw rather back of the stairway, in the basement, a table with quite a lot of papers on it, stacked up in different piles. I went over to where this man was apparently sorting these papers, found him to be a confidential man of the bank whom I afterwards learned to know as Mr. Williams—Mr. Cass Williams, I think it was. I glanced at the papers and noticed that some were bills and some were advices.

Question. Advices and bills from whom?

Answer. From Lewis Johnson & Co.

Question. How many of them?

Answer. I judged at the time there were about 1,500 in the two lots, two or three lots that were uppermost on the table. By actual count it developed that there were 681 bills and 793 advices, which myself and my assistant initialed at that time and numbered.

The cross-examination, which begins on page 1061 of this record, was conducted by me. So far as it relates to the foregoing it carries the explanation that by the term "confidential man of the bank," Mr. Trimble simply meant a man who was a teller, assistant teller, cashier, vice president, any man of that kind by reason of his position, he would term a confidential man in the bank, but that was all he meant by that phrase, he frankly says. He also testified on cross-examination that in a number of cases, a good many cases, he was able to locate advices, but that he was unable to distinguish from memory while testifying the advices from bills, or say in what instances he was unable to check up these papers with ledger records of the transactions.

On redirect examination he showed that by examination of these papers it was evident that they were not the papers referred to as having been put on spindles, as none of them had spindle holes in them. I quote (p. 1066 criminal court record):

Question. How about those—

Lewis Johnson & Co. advices and bills—

you did find?

Answer. I noticed carefully, having been told that they were placed upon the spindle for temporary use only, and then destroyed—I noticed carefully when they first came into my sight whether or not there were any spindle holes, and at that time there was not any indication of a spindle hole on any deposit ticket or advice that I found on that table.

Question. How about bills? You said deposit tickets.

Answer. On the bills or advices, the 681 or 793.

Senator HENDERSON. I hold here a sheet of paper, at the head of which is "Lewis Johnson & Co., bankers," dated Washington, D. C., January 16, 1911. What does that mark "E" refer to, with a check after it?

Mr. HOGAN. Which one do you mean?

Senator HENDERSON. That top one—looks like an "E."

Mr. HOGAN. This here? [Indicating.]

Senator HENDERSON. Yes.

Mr. HOGAN. I do not know.

Senator HENDERSON. Do you understand what the other mark is? What is the 2450?

Mr. HOGAN. The 2450 is Mr. Trimble's notation, the national bank examiner's mark on them. It means this: Mr. Trimble had a tran-

script from the Johnson Co.'s books, kept in the name of the Riggs National Bank, and he gave numbers to each transaction, and then he gave corresponding numbers, merely as a key, to every advice and every bill he found; and not only this package, but several packages of these papers, which I exhibit to you here, were brought into court, spread on a table, and day after day such as were called for by the Government were put in evidence without any objection from us, but with our assistance. This, you understand, was subsequent to the time when Mr. Flather had made the statement, obviously by mistake, to the effect that he did not know where these notices from the brokers were and that they were probably thrown away, like waste paper, as useless after they had served their purpose. We found, in fact, that they had not been, and every one of these papers—oh, some might have been missing—which, in italics, Mr. Williams tells this committee were destroyed, because if produced they would show incriminating evidence, was not only produced, which would be sufficiently important in itself, but every one of them was for months in the hands of the comptroller, through his national bank examiner, working up this perjury case. Here they are for you.

Moreover, every one of these confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co. was later press copied in the brokers' office, and these letterpress copy books were in the hands of the Government's representatives and were used in court at the trial, so that whenever the original of the transaction about which evidence was being offered could not be identified, the letterpress copy was available, and was used. How, then, is it possible to truthfully say that "incriminating evidence," which would have established any one's guilt, had been destroyed and was not available?

The CHAIRMAN. Is there any complaint of record at that time that these papers were defaced in any way or any of them destroyed?

Mr. HOGAN. Not the slightest. Now, I will tell you what Mr. Flather had reference to: When a person came in and desired stock to be purchased, Mr. Flather, or whoever saw the customer, would make a memorandum and put it on the spindle, and when the thing was made a book entry, those pencil memoranda were not kept; they were thrown away from time to time after they were closed transactions.

The CHAIRMAN. Was there any complaint entered that these records were not a complete record of the items on the spindle?

Mr. HOGAN. Not a single one. There were entries in the Johnson Co.'s books; entries in the order book; entries in the Flather & Flather commission account; entries in the bank's books whenever it was a bank customer; entries on the Johnson & Co.'s bank deposit books, when they got credit for the purchase price of the stock. By reference to page 12 of the August 12, 1919, letter from Mr. Flather advised National Bank Examiner Smith that "we have an order book there," meaning in the bank, which contained a record of the orders of purchases and sales.

Now, the point is this, that in what we must believe was a deliberately and carefully prepared communication, wherein he not

only libels me—and that is not important, because I am honored by libel from that source—the comptroller tells this Senate committee that these things were destroyed, and calls your attention to the “extremely suggestive fact” that these notices which the bank’s officers say were destroyed would have incriminated one of them, when in truth and in fact he knew that they were not destroyed—that they were not only not destroyed, but every one of them was found in the cellar of the bank where they had been piled up. They ran back several years. This large package is only a sample. You can see for yourselves—I am holding here a package of large envelopes that mounts several inches high—they were produced in court on the trial that resulted in Mr. Flather’s prompt acquittal; every one of them bears the mark of James Trimble, national bank examiner, acting under the direction of the comptroller, who, in the criminal court case, testified that, after Mr. W. J. Flather had erroneously said these papers had been thrown away, he found them in the bank and found a clerk assorting them. These packages I here exhibit to you contain part of the papers that Mr. Williams says were destroyed, and which, he charges, would have established the guilt of Mr. H. H. Flather if they had been produced. In view of the fact that letter press copy books of every paper to which the comptroller thus refers were in existence, and were under the examination of his examiners, and were in the hands of the United States district attorney, how was it possible for him to honestly insinuate that documents which would have aided in establishing the guilt of Mr. H. H. Flather were not at hand?

Senator HENDERSON. You have shown us three papers from that package. Are the others here all similar?

Mr. HOGAN. Yes, sir; I will show you a thousand.

Senator HENDERSON. And are those the complete records of Lewis Johnson & Co. in regard to those sales?

Mr. HOGAN. Yes. Let me qualify that in this way: There were a very few instances where the advices and bills both could not be found, but there were very few instances where there was not either an advice or bill, and there was no instance in which there was not the advice or bill and a letter press copy of both, and all of the originals found were produced by the bank’s counsel in court for the use of the Government in the criminal proceeding, and the Government’s counsel had there the letter press copies of all of them.

Senator HENDERSON. As I understand it, he claims certain records were destroyed, and you have produced these to show they were not?

Mr. HOGAN. Yes.

Senator HENDERSON. Were there any records at all destroyed?

Mr. HOGAN. None. Put that as strong as you can. Borrow Williams’s italics for it. Get his shrieking capitals. Put in the record upon my word as a member of your own profession and a citizen of your country: None.

Senator HENDERSON. Now, one other question. You referred to Mr. Flather there; at one period of this investigation it came out he had resigned?

Mr. HOGAN. Yes.

Senator HENDERSON. Will you explain, if you can, the reason for the resignation?

Mr. HOGAN. Yes. I had that in another place, but I will be glad to bring it out here.

Senator HENDERSON. You need not bring it up if you had it in another place. Now, a moment ago, Mr. Hogan, you referred to my name in connection with what I would do in regard to furnishing testimony for use against my client in a criminal case. Did Mr. Smith, at the time he asked those questions, ask for any information that he was not entitled to as a bank examiner?

Mr. HOGAN. Yes, Senator; he did not ask for any information that he was entitled to; and I said to him—I will show you what I said to him to be perfectly clear on that: The comptroller has a right, either by calling for reports or by sending in examiners, to obtain information that will give him a complete knowledge—I quote the statute—of “the condition of the bank.” Now, what Mr. Smith was asking for was not anything which in any way, by the widest stretch of the most insane imagination, could have reflected upon the condition of Riggs Bank on May 28, 1915, the date when he propounded his questions; and here is what I said to him:

Mr. HOGAN. Mr. Smith, I shall decline to allow Mr. Flather to answer any questions pertaining to the Bennett affidavit, or any of the items therein contained. I take the position, as one of the counsel for this bank and as Mr. Flather's personal counsel, that they have no relation to the condition of this bank, as that term is used in section 5240 of the Revised Statutes of the United States; and I will have to be absolutely convinced, first, that this is an attempt to examine into the condition of this bank for the purpose of ascertaining its condition; and, second, I will have to have assurance from proper authority of the United States Government that any information Mr. Flather gives with respect to that would be given with full immunity that it would never be used in any sort of proceedings in any court hereafter. Until that assurance is given by the authorities having the right to give it, Mr. Flather will not answer any questions about the Bennett affidavit.

Examiner SMITH. Then he declines to answer on the ground he might incriminate himself?

Mr. HOGAN. You heard what I said, and I have nothing to add to that.

(See pages 4 and 5, Aug. 12, 1919, letter of Comptroller Williams to the chairman of this committee.)

So much, Senator, was it manifest to Mr. Smith himself that he was not inquiring into matters within an examiner's rights as pertaining to the condition of the bank, that Mr. Smith stalled and gurgled and choked himself when administering the oath to the bank's officers; listen to this expression. He says—

Senator HENDERSON. What are you reading from now?

Mr. HOGAN. I am reading now from pages 3 and 4 of the comptroller's August 12, 1919, letter to the chairman.

Senator HENDERSON. All right.

Mr. HOGAN. Bank Examiner Smith said he was going to put Mr. Flather under oath, and then there occurred this, on pages 3 and 4 of that letter:

Mr. HOGAN. As a bank examiner you have a right to put Mr. Flather under oath. As Mr. Flather's attorney, I shall advise him not to answer.

Examiner SMITH. Certainly. Mr. Flather, do you solemnly swear that the answers which you make to question propounded to you in the examination of the affairs shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FLATHER. I beg your pardon. You said “Examination of the affairs”—of what?

Examiner SMITH. Of the Riggs National Bank.

Mr. H. H. FLATHER. I do.

Before that time, and subsequent to that time, whenever a bank examiner sought information regarding the condition of the bank, without let or hindrance, it was placed at his disposal. But it must be perfectly obvious that on this occasion Mr. Williams was using his bank examiners for evidence upon which to procure an indictment.

Second, the connection of the comptroller with the perjury prosecution:

Mr. Williams has evinced the deepest anxiety to be freed from any connection whatever with the flimsy perjury charge, an attempt obviously commendable now, but utterly futile when we turn to the record of that case and find who worked up the charge. I have told you that the man who worked up this case was the comptroller, through the instrumentality of his bank examiners and assistants to bank examiners.

When Bank Examiners Sherrill Smith and James Trimble came into the bank on May 28, 1915, as the already quoted questions propounded by Mr. Smith clearly show, the only thing sought was data regarding the Lewis Johnson & Co. transactions, with reference to which the disputed affidavit alone was made, and out of which alone grew the indictment. Aside from purely formal witnesses, the witnesses who appeared before the grand jury when the indictment was procured were National Bank Examiner James Trimble, National Bank Examiner Sherrill Smith, Assistant National Bank Examiner Donoghue, and Mr. Lammond, subsequently appointed assistant national bank examiner, all but the latter working in this matter under the immediate personal supervision and direction of John Skelton Williams. And when the charge made by the indictment came on for trial Mr. James Trimble testified, on oath, as respects his activities in connection with the data for this criminal charge, as follows (record of criminal court proceedings, pp. 1061, 1063, 1065):

Cross-examination by Mr. HOGAN:

Question. From May 28, 1915, until September 22, 1915, you were almost daily in the Riggs National Bank?

Answer. Yes, sir.

Question. During that time your assistant, Mr. Donoghue, who sits back here, and your other assistant, Mr. Valvrina—was that his name?

Answer. Mr. Valvrina was not with me very much.

Question. He was there quite a long time during that period, was he not?

Answer. But not as much as Mr. Donoghue.

Question. I did not say he was there as much as Mr. Donoghue. I said he was there a good deal, with you, during the summer of 1915?

Answer. Yes; frequently, but not with me all the time.

Question. No; but Mr. Donoghue was there with you all the time?

Answer. Practically so.

Question. Where was Mr. Sherrill Smith?

That was never answered. It was vigorously objected to by the Government's counsel, and the objection sustained. I turn to page 1065 of that record. [Reading:]

Question. You endeavored, did you not, to trace down each one of the transactions that you found on the accounts of Lewis Johnson & Co. in the name of the Riggs National Bank?

Answer. We endeavored to trace them from their inception to the end.

Now, Senators, the only purpose of having national-bank examiners and their assistants spending, as thus testified to by one of

them on oath, from May 28, 1915, to September 22, 1915, in the Riggs National Bank, tracing "from their inception to the end" the Lewis Johnson & Co. transactions, and marking these 1,500-odd bills and advices, which I have produced to you here this morning, was to gain evidence upon which to found an indictment, and the only use ever made by the comptroller, or his examiners or anybody connected with the Government, of the labor of these national-bank examiners and their assistants, working under the direction of Mr. Williams, was that made in the perjury case. No other reason can possibly be given why these members of Mr. Williams's staff were delving so minutely into the Lewis Johnson & Co. transactions, and I repeat, no other use was made of that work and the data collected by it; when the perjury case collapsed—a thing which was a foregone conclusion—the papers, which the bank examiners had been checking up and marking from May to September, 1915, were of no further use to Mr. Williams or his emissaries, and those not used as evidence exhibits at the trial were returned to the Riggs Bank. During that entire period, from spring to fall in 1915, these bank examiners, who were thus daily constantly in Riggs Bank, made no examination into the condition of the bank; they did not count its cash, verify its notes, check up its current books; they confined themselves exclusively to working up data to be used first to found an indictment on; and, secondly, as evidence to support that indictment after it was procured, and these bank examiners daily reported to Mr. Williams their progress and periodically reported to the prosecuting district attorney.

On this same subject of the direct connection of this malicious persecution of these bank officers on that flimsy perjury charge, I am regretfully brought to call attention to one thing which involves a question of veracity between Mr. James Trimble and myself, and to an affidavit which I will present on the question of Mr. Trimble's statement heretofore made to this committee. Yesterday I requested that if Mr. Trimble cared to do so, Mr. Chairman, he make a statement as regards any Sunday conference, and I afterwards broadened it to include any court conference, he had on the subject of the indictment, or on charges against the Riggs officers; and I was not at all surprised when Mr. Trimble said he had never had a conference with the Attorney General or even when he added he had none with any Assistant Attorney General; but when I ask him, with your permission, whether that extended to the district attorney in connection with this thing, I must say I was somewhat startled by what I understood to be his denial, because my activities during 1915 and 1916 kept me at the courthouse a great deal, and I am very safe in saying that between May and October, 1915, I saw Mr. James Trimble, and I could not possibly be mistaken in recognizing him, at and in the vicinity of the district attorney's office, not less than a dozen times prior to the indictment.

I present, without any comment of my own, the following affidavit, which is given—sent here for my use here this morning—by Mr. Roscoe J. C. Dorsey. [Reading:]

I, Roscoe J. C. Dorsey, voluntarily make the following affidavit in the interest of truth:

I was a duly appointed and commissioned national-bank examiner for approximately seven years, prior to which time for a period of approximately one

additional year I had been making bank examinations under a general letter of instructions. Recently I was dismissed by Comptroller Williams, and at another time I shall seek to make the events leading up to that dismissal the subject of appropriate investigation. I make this affidavit simply with reference to the following event:

Mr. James Trimble, national-bank examiner, on duty in the District of Columbia, in the fall of 1917, was exceedingly wrought up against Comptroller Williams because the latter had directed him to make an apology to certain directors of the Commercial National Bank at Washington, D. C., for having in a critical manner referred to said directors; and at that time, while smarting under what he called this apparent humiliation, Mr. Trimble said to me in substance the following:

That he had always endeavored to observe Sunday, and during the course of the so-called Riggs Bank controversy he said Comptroller Williams telephoned him one Sunday and requested him to call at the Department of Justice for a conference; that the comptroller expressed his regret at disturbing Mr. Trimble on Sunday; that he, Mr. Trimble, responded to the comptroller's call; the latter at the conference showed that he was not pleased at the fact that Mr. Trimble had not found anything against the Riggs Bank officers, and Mr. Trimble said to me the comptroller emphatically told Examiner Trimble, referring to the Riggs Bank officers, that "We must get them; we must get something on them."

Mr. Trimble was so obviously worked up in his resentment toward Mr. Williams at the time of this conversation that I inferred from his statement that he contemplated informing those interested in the Riggs controversy of this instance, and I undertook to endeavor to placate Mr. Trimble and to advise him to "cool off," and not to jeopardize his position by the course he apparently contemplated.

ROSCOE J. C. DORSEY.

Subscribed and sworn to before me this 5th day of September, A. D. 1919.

[SEAL.]

CHARLES RAY DEAN,

Notary Public, District of Columbia.

The CHAIRMAN. Where is Mr. Dorsey now?

Mr. HOGAN. Mr. Dorsey is in the city now, and this was made before a notary public in this city this morning.

The CHAIRMAN. Can you give the stenographer his address?

Mr. HOGAN. I don't know it, sir. I will give it to him, sir.

Mr. TRIMBLE. Mr. Chairman, may I be allowed a word as to a misunderstanding of the question asked?

The CHAIRMAN. Certainly.

Mr. TRIMBLE. And that was that I never visited the Attorney General's office in my life, and that I never visited the district attorney or any assistant district attorney on Sunday. My understanding of the question was that he was asking about a Sunday visit. Of course, as it has appeared in this testimony, I had visited Mr. Laskey's office I don't know how often, but I had, in the performance of my official duty, visited Mr. Laskey's office, but never any district attorney or any assistant district attorney or Attorney General on Sunday. I would like to make that statement.

Mr. HOGAN. Mr. Chairman, when I appeared before your committee before—

Mr. TRIMBLE (interrupting). And if you will allow me?

Mr. HOGAN. Certainly; yes.

Mr. TRIMBLE. If you will allow me, I would like the opportunity of denying the truth of the affidavit.

The CHAIRMAN. Oh, you will have an opportunity to do that.

Mr. HOGAN. Mr. Chairman, when District Attorney Laskey was testifying here, in an obvious attempt to assist Comptroller Williams in showing that the latter had no responsibility for the criminal

prosecution, you asked Mr. Laskey whether it was not true that the National Bank Examiners had been witnesses before the grand jury, and in answering affirmatively Mr. Laskey told you that so were Mr. Milton E. Ailes, vice president of the Riggs Bank, and Miss Sheehy, of Mr. Hogan's office. How disingenuous such an answer was is apparent when I tell you that Miss Sheehy did not spend 90 seconds in the grand jury room, and her entire testimony was the identifying of her signature, as a notary public, and that of Mr. Glover and the Messrs. Flather, on the disputed affidavit. As to Mr. Ailes, as a witness before the grand jury he was simply utilized as a messenger boy, called to produce these various papers from the bank's files and books before the grand jury, and when he attempted to give testimony to the grand jury which would have shown the perfectly innocent inferences to be drawn from the papers, he was shut up and dismissed from the room. Mr. Laskey might have told you that the clerk of the equity court was also a witness, he identifying the stamp of the court clerk's office showing the date on which the disputed affidavit was filed in the equity proceedings. On that subject—

The CHAIRMAN (interrupting). Before we leave that subject now, was there any claim that the little records of these stock transactions that were put on the spindles were not all transferred to the records you have introduced here?

Mr. HOGAN. No, sir; there was no such claim. On the contrary, Senator, the showing was that there was a permanent record made of every one of them.

The CHAIRMAN. That was not disputed?

Mr. HOGAN. That was not disputed at all, sir; and more than that, Senator, whenever there was one of these advices or slips that could not be located, as to any particular transaction, we would take the copy from Lewis Johnson & Co.'s records and concede it.

I started to say that the late lamented E. V. Murphy, chief of the official stenographic force of the Senate, was a director of Riggs National Bank at the time of his death, and had been since 1916; and it was on the date of his funeral that Mr. Laskey's testimony before this committee seems to have been brought to Mr. Ailes's attention. I put into the record a letter from Mr. Ailes, dated Washington, D. C., July 21, 1919, addressed to me. I will not bother to read it. It invites attention to what Mr. Ailes was permitted to testify and prevented from testifying before the grand jury, and to the fact that when he endeavored to give evidence to the grand jury, which when presented at the trial resulted in the prompt acquittal of the bank's officers, showing that the transactions involved were not bank transactions at all, District Attorney Laskey choked Mr. Ailes off.

(The letter referred to is as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, DISTRICT OF COLUMBIA,
Washington, D. C., July 21, 1919.

MR. FRANK J. HOGAN,
Room 811 Colorado Building, Washington, D. C.

DEAR FRANK: I am hurrying this morning to represent the bank, at Mr. E. V. Murphy's funeral, and am writing you this hasty memorandum for fear you may be called before the Senate committee before I have an opportunity of talking with you.

I wish to call your attention particularly to the testimony of Mr. John E. Laskey, in which he attempted to exonerate Williams from the charge of having obtained indictments for perjury against the Riggs Bank's officials. In the course of Mr. Laskey's testimony, which I presume you have, he stated, in answer to a question of the chairman, Milton E. Alles being one of the witnesses before the grand jury. What I want you to impress on your mind is that Milton Alles appeared before that grand jury with records of the Riggs Bank, under subpoena, and identified these records as desired by the district attorney, but when Mr. Alles undertook to show the grand jury that the purchases and sales in those records were not for account of the bank, but for account of customers of the bank, Mr. Laskey choked Mr. Alles off and by his action suppressed the information which, if in the possession of the grand jury and fully understood, would have made it impossible to indict the Riggs Bank officials.

Very truly, yours,

M. E. ALLES.

Third, the proposition that the Riggs Bank officers could avoid indictments by resigning from the bank.

Mr. Samuel Untermyer has appeared before you and admitted that in the Shoreham Hotel he had a conversation with Mr. William Nelson Cromwell and myself after the preliminary arguments in the Riggs equity case and prior to the bringing of the indictment; also, he admitted that there was discussed at that time the Riggs Bank affair; that he denied that there had been made by him, who was at that time counsel of record in a Federal court for John Skelton Williams, a suggestion of immunity from indictment if the Riggs Bank officers would resign. And Mr. Williams has testified to you, and I use the substance, not the precise language, that he never heard that proposition intimated even until he heard me tell it to you in July, 1919, when I appeared before this committee.

Now, let me make it clear that what I have to say is without any disrespect to Mr. Untermyer—we have very pleasant relations as attorneys on opposite sides and sometimes as attorneys on the same side of questions—first, Mr. Cromwell and myself were in the Shoreham Hotel having luncheon when Mr. Untermyer and some other gentlemen came in. The meeting was, as Mr. Untermyer says, casual. Mr. Untermyer says after luncheon Mr. Cromwell and myself—again I am using the substance—approached him on the subject. Mr. Untermyer's recollection is faulty. We had completed our luncheon, had bowed to him, had left the dining room of the Shoreham Hotel, and Mr. Untermyer came out to the adjoining room when he had not yet finished his luncheon, and approached us on the subject.

Secondly, Mr. Untermyer tells you that he contemplated going to California in the summer of 1915. He did, and that is precisely what he told Mr. Cromwell and myself, that he had made his arrangements to go to California, but that so anxious was he to settle up this entire controversy that if the proposition which he suggested to us would be considered he would come back to Washington again, even if he had to defer the date of his departure for California.

Third, Mr. Untermyer explained that he came to the Shoreham Hotel that day, although he was stopping, as I believe, at the Willard, because he had been that morning at the Treasury Department and had been later at the Department of Justice, and the Shoreham was on his way from the Department of Justice down town again. These are things to show how this conversation came about. Mr.

Untermeyer has testified here that at the time of his conversation the equity case was ended, an inadvertently erroneous statement, but taking his view of that, then there certainly was nothing to discuss about the equity case.

Mr. Glover was out of town when I last appeared here before you, and is still out of town, and so the record of the hearings here was sent to him, and I requested his recollection on this subject, and I now submit to you a letter written from York Harbor, Me., July 26, 1919:

YORK HARBOR, ME., July 26, 1919.

FRANK J. HOGAN, Esq.,

Colorado Building, Washington, D. C.

DEAR MR. HOGAN: I have read the statement made by you before the Senate Committee on Banking and Currency to the effect that, subsequent to the hearing in May, 1915, before Justice McCoy, of motions made by both sides in the equity suit brought by the Riggs National Bank against Comptroller Williams and others, and after there were rumors and newspaper publications indicating that an indictment against myself, Mr. William J. Flather, and Mr. Henry H. Flather was contemplated; that Mr. William Nelson Cromwell and you were told by Mr. Samuel Untermeyer, one of the counsel for Comptroller Williams, that if "Charles C. Glover, William J. Flather, Milton E. Alles, and Henry H. Flather would resign their offices in the Riggs National Bank," there would be no indictments.

I have your request to be informed what, if any, recollection I have on this subject.

I have not exact dates before me here, but recall that the hearing in the equity suit occurred in May, 1915. Two or three days after the close of the equity suit, a member of the board of directors of the Riggs National Bank informed me, in the presence of Senator Bailey, Mr. Milton E. Alles, you, and others, that he had been advised that Secretary McAdoo and Comptroller Williams were endeavoring to have the Attorney General direct indictments based on the affidavit made by the Messrs. Flather and myself and filed during the equity hearing.

One of the directors of the bank called at the office of the Attorney General, where, in substance, this information was confirmed. Very shortly after that the Washington newspapers contained publications to the effect that the bringing of indictments was under consideration. Within a few weeks, at the latest, after the argument in the equity case had been concluded, a special committee of our board of directors was appointed, and Mr. William Nelson Cromwell was engaged as attorney for that committee. Mr. Cromwell was retained in order that the committee might have the benefit or advice of counsel theretofore entirely disconnected with the bank and the pending litigation. Not very long after Mr. Cromwell arrived in Washington, a meeting was held one afternoon in your office, at which you, Mr. Cromwell, Mr. Milton Alles, and myself were present. I am not sure whether Mr. Dulaney, a member of the directors' special committee, was present, but you will probably recollect whether or not he was. From Mr. Cromwell and yourself we learned at that meeting that on that day you had had a conversation with Mr. Samuel Untermeyer, and Mr. Cromwell stated that Mr. Untermeyer proposed that all talk of indictments would be dropped if I, together with Mr. Alles and both the Flathers, would resign from the bank. I recall that either Mr. Cromwell or yourself stated that Mr. Untermeyer had deprecated the idea of indictments, but insisted that Mr. Williams was immovable on the subject of either the resignations of the officers or the indictment of the three who had signed the affidavit.

On several occasions after the episode above referred to you will recall that there was brought in one way or another to us the proposition that we could have immunity from the indictments or further trouble from the comptroller if the officers of the bank would resign. Indeed, this was repeated a number of times between May, 1915, when the rumors first attracted public attention, and October, 1915, when the indictments were procured.

I recall very vividly the scorn with which I refused to even consider the proposition which Mr. Cromwell and yourself reported Mr. Untermeyer had made, and I have many times recalled the characteristic manner in which you

denounced it. There is not the slightest doubt but that Mr. Cromwell and yourself reported at that time to Mr. Ailes and me the offer substantially as you testified to the Senate committee it was made.

With kind personal regards, I am,

Yours, sincerely,

CHAS. C. GLOVER.

Senator HENDERSON. The date of that?

Mr. HOGAN. The date of that is, sir, York Harbor, Me., July 26, 1919. I will read now a letter from Mr. Milton E. Ailes addressed to me:

RIGGS NATIONAL BANK,
Washington, D. C., July 28, 1919.

Mr. FRANK J. HOGAN,
Washington, D. C.

DEAR Mr. HOGAN: Replying to your request for a statement of my recollection as to a conversation you had with Mr. Samuel Untermyer, to the effect that every principal officer of the Riggs National Bank resign, after which there would be no indictment of any of them, I write to say that the matter is very vividly in my recollection. It came as a great shock, following so closely the closing of the arguments in our equity case against the Comptroller of the Currency and the Secretary of the Treasury. I recall particularly that my friend, Mr. Frank A. Vanderlip, then president of the National City Bank, of New York, was in Washington at the time, and I immediately communicated the news to him at the Shoreham Hotel that Messrs. Cromwell and Hogan had reported that Mr. Untermyer had informed them that the only way for my associates, Mr. Charles C. Glover, president of the Riggs National Bank; Mr. William J. Flather, vice president; and Mr. Henry H. Flather, cashier, to avoid indictment was to resign their positions with the bank, and that at the same time, as a further condition, my resignation as vice president of the bank was also required, although I had not signed the disputed affidavit.

Mr. Cromwell and yourself informed us that Mr. Untermyer expressed the opinion that the indictment of the officers would greatly impair, if it did not actually ruin, the bank.

The strain of the long persecution of the bank by the Comptroller of the Currency reached its climax that day when I realized that every agency of the Government was to be utilized in an effort to ruin the bank and its officers, and I am sure Mr. Vanderlip will recall that when I communicated this new move to him I broke down, and was greatly comforted by his warm-hearted and devoted assurances of friendship and support.

There is, in my judgment, absolutely no mistake in what you have declared Mr. Untermyer to have outlined to Mr. Cromwell and yourself. It dovetails with many other movements in the same direction, namely, efforts to bring about the elimination of the officers of the bank in order to appease Comptroller Williams.

I was not present at the interview between Mr. Untermyer, Mr. Cromwell, and yourself, but the report of Messrs. Cromwell and yourself to Mr. Glover was in effect, though, of course, I can not say it is precisely in words what you told the Senate committee the proposition was.

As stated above, I did not sign the disputed affidavit, but that was only because I had not been an officer of the bank during its entire existence as a national bank; I knew then and know now that the affidavit was absolutely true.

Yours, very truly,

M. E. AILES, *Vice President.*

When we seek for the history of past events, whether we be attorneys or historians, we look to the contemporary writings of the time, and if we find in those certain facts or confirmatory data, we take it for granted that those things must have occurred, or at least they are evidence of their occurrence, so I wish to call your attention just to an extract, because it is too long to read all of it, and the whole of it is not important to the question, from a letter written by Milton E. Ailes in 1916 to that grand old man of American finance, Mr. Lyman J. Gage, then in California:

(The letter referred to by Mr. Hogan is as follows:)

[Extract from p. 239, letter-press copy book of M. E. Alles.]

WASHINGTON, February 21, 1916.

Hon. LYMAN J. GAGE,

Care of Cuyamaca Club, San Diego, Calif.

DEAR MR. GAGE: I have your letter of the 15th instant, inquiring whether the comptroller has ceased his persecution of this bank, or whether he continues his annoying and insulting demands, and whether his crusade against us has been deleterious to the bank as relates to its deposits and general ability to make money.

The annoyance to which we had been subjected for more than a year almost daily ceased about October 1 last, when three of our officers were indicted for perjury. Along about July 1 last, demands were made for the resignation of the officers of the bank in lieu of these indictments. Of course, such demands were made very carefully and in a roundabout way, but nevertheless emphatically; and the officers involved eventually by the same channels notified the comptroller and the Secretary of the Treasury that they would not resign, but would take the indictments instead.

Now, as to your inquiry whether the bank has been injured or not, I am glad to write that our deposits have not been affected. They are close to the \$10,000,000 mark now, and the bank has been making money; in fact, the quarter ended December 31 last was the best in the history of the bank. Our earnings were seriously invaded in the two preceding quarters, due to the fact that we kept about \$2,000,000 idle for the purpose of making the bank strong.

Faithfully, yours,

M. E. ALLES.

The CHAIRMAN. Well, Mr. Hogan, suppose we suspend until 2 o'clock.

Mr. HOGAN. May I have just a minute to complete this?

The CHAIRMAN. Certainly.

Mr. HOGAN. Mr. Undermyer told you he had absolutely no connection, and the inference was no knowledge of, this perjury matter, and that his connection in fact as attorney in the equity case was ended, although the case was not even at issue yet. Well, on September 24, 1915, there appeared in the Washington Herald, published in this city (the indictment was not brought until October 1, 1915), an article quoting Mr. Samuel Undermyer, and I ask that the entire article be inserted in the record.

(The article referred to is as follows:)

[The Washington Herald, Sept. 24, 1915.]

RIGGS OFFICIALS MAY FACE PERJURY CHARGE—SAMUEL UNDERMYER EXPECTS INDICTMENTS AGAINST C. C. GLOVER AND W. J. AND H. H. FLATHER.

The indictment for perjury of Charles C. Glover, William J. Flather, and Henry H. Flather, respectively president, vice president, and cashier of the Riggs National Bank, is considered highly probably following the proceedings before the grand jury Wednesday.

Samuel Undermyer, of counsel for the Government in the injunction suit of the Riggs Bank against Secretary McAdoo, Comptroller of the Currency Williams, and United States Treasurer Burke, yesterday declared his belief that an indictment will be returned.

Apparently those who speak for the bank are of the same belief, pointing out that the grand jury proceeding is purely an ex parte proceeding, from which counsel for the bank necessarily was barred, and that it is reasonable to expect that the grand jury will find the cause presented by the Government worthy of trial by the Federal courts.

Mr. Undermyer was in Washington for a few hours yesterday to attend a conference at the Treasury Department of the joint high commission appointed to deal with Latin-American finance.

"I believe that the grand jury will find a true bill against the officers of the bank," he declared to a representative of the Washington Herald.

"On what grounds?" he was asked.

"On the grounds of perjury," he replied. "I think the affidavit signed by three officers of the bank and submitted in evidence denying that the bank had engaged in stock speculation is a clear case of perjury."

"But the bank explained that these transactions did not involve the bank, but only individuals acting as agents for clients of the bank; that the funds of the bank were not involved at all."

"In my original charge," returned Mr. Untermeyer, "I did not claim that the funds of the bank were used. I stated, as you may recall, that the Riggs was a brokerage office within a bank."

Mr. Untermeyer declared that he had nothing to do with the criminal proceedings, but that he would resume his connection with the case when the trial of the injunction suit is resumed before Justice McCoy.

Mr. HOGAN. Now, that newspaper interview, undenied even though it be, might not in itself be important if I did not accompany it with this letter, dated July 29, 1919, by which it is verified:

WASHINGTON, D. C., July 29, 1919.

MR. FRANK J. HOGAN,
Washington, D. C.

MY DEAR MR. HOGAN: As a representative of the Washington Herald, on September 23, 1915, I interviewed Mr. Samuel Untermeyer; the report of the interview as published in the Herald on September 24, 1915, under the caption "Riggs officials to face perjury charge," was written by me and is correct.

Yours, very truly,

JOSEPH P. ANNIN.

I am ready to suspend now until 2 o'clock.

The CHAIRMAN. Two o'clock.

(Whereupon, at 4 minutes to 12 o'clock, the hearing was adjourned until the afternoon at 2 o'clock.)

AFTERNOON SESSION.

The committee reconvened, pursuant to the taking of the recess, at 2.04 o'clock p. m.

STATEMENT OF MR. FRANK J. HOGAN—Resumed.

Mr. HOGAN. When the recess was taken I was discussing the subject of the proposition that Riggs Bank officers trade resignations for indictments. You will remember—I used the substance, and again do not pretend to use the exact words—that Mr. Williams informed you that he never heard the subject intimated until he heard me state it to this committee when I appeared here as a witness. Senators, I assume that you have seen enough of the tireless energy with which Mr. Williams has grabbed hold of everything on the subject of Riggs Bank to know that he did not overlook anything that was conspicuous. On October 2, 1915, the leading press story in the Washington Post, published here in Washington, was that which on the first page appeared under the caption "Indicts Riggs heads on perjury charge." In that article, under a separate subhead, is found the following:

WANTED CASHIER TO QUIT.

In this connection there have been many rumors afloat, and one of these was that the Treasury officials were quite willing to have all of the proceedings

against the bank dropped should certain of the bank officials resign from their positions. It was said that Mr. Flather, the cashier, was one of the officials whose resignations were sought.

Now, I forbear to comment on the statement of the comptroller in which he told you he never heard that thing intimated, when it was thus a matter of conspicuous local publication at the very time the thing was going on.

Before leaving this subject of the alleged perjury case, let me say to you, because I want it clear, and I do not want any mistake about it, that one would characterize as amusing, if it were not serious, the statements contained in this record that Mr. Untermeyer's services as counsel for Mr. Williams and Mr. McAdoo absolutely ended before the indictment of the bank's officers, because, as it has been said before this committee, the equity case was over and finished, and, therefore, there was no possibility of any representative capacity on Mr. Untermeyer's part when he had his conversation in June or July, 1915, with Mr. Cromwell and myself. Senators, the equity suit was not over. It was not even at issue. Mr. Untermeyer had stated, the judge had stated, and I had stated, in open court, what things would be relevant and admissible when the case was brought on for trial on its merits. It had, prior to the indictment, been heard only on the bill and certain affidavits of the plaintiffs and on affidavits and a motion to dismiss made on behalf of the defendants. Up to this day never have any answers been filed in that case. Up to this day no witnesses have ever appeared on the stand in that case. The case was never tried. I reiterate, it only got as far as a preliminary hearing.

Several places in the record you will find references to an "interlocutory decree" entered in that case by Judge McCoy. Neither Judge McCoy nor anyone else ever entered an interlocutory decree in that case. There was no interlocutory decree. There is no record of any interlocutory decree. There was only one order of the court ever signed in that case, and that was signed on April 12, 1915, restraining the comptroller, the Secretary of the Treasury, and the Treasurer of the United States from covering into the Treasury the \$5,000 due the bank as interest on bonds which the comptroller had attempted to have confiscated under the guise of penalties, and commanding the comptroller and the Secretary to show cause why the injunction should not be continued. And subsequent to that time, there was an opinion filed by Mr. Justice McCoy, on which no judicial action was ever taken, because before the case could be tried and the authority of the comptroller definitely settled by the court of last resort, the bank was compelled to dismiss its suit or else suffer forfeiture of its charter. And even at that cost it could not have obtained official judicial determination of the comptroller's powers, for if it had suffered forfeiture of its charter, the suit would have been dismissed, because not then being a national bank the questions raised by the suit would have become moot and no court would have had jurisdiction to entertain the case; so that the case was never tried. And how is it possible for anyone to pretend that Mr. Untermeyer was not Mr. Williams's counsel when his appearance of record as counsel for Mr. Williams and Mr. McAdoo was formally entered, and he was still counsel on the equity court records for Mr.

Williams, when the indictment was procured, and so remained counsel of record during, and for several weeks subsequent to, the criminal court trial, for the equity suit, it should be borne in mind, remained pending, and undisposed of even as to its preliminary motions, until June, 1916, after the indictment had been brought, after the acquittal had been obtained, and a year after the proposition I have testified to had been made.

Did the Riggs National Bank, as charged then, and despite the results of the trial repeated here, buy and sell stock to or through Lewis Johnson & Co., and make short sales to or through Lewis Johnson & Co.? An American jury decisively answered that question in the negative. That answer was not satisfactory to Mr. Williams, so he reiterates the charge before this committee and also in the record of the hearings here on that subject, we have the testimony of Mr. Williams's counsel, Mr. J. C. Adkins, Mr. Williams's former counsel, Mr. Samuel Untermeyer, and of District Attorney Laskey. Mr. Laskey tells the committee that I was wrong when I said that Lewis Johnson & Co. kept its ledger account of the stock transactions referred to in the name of Riggs National Bank merely for that firm's own convenience, and Mr. Adkins tells you that in these transactions the bank's credit was used. Also Mr. Adkins volunteers the statement, made, I think, inadvertantly, that he holds no brief for anybody connected with this case. I want the Senators to understand that Mr. Adkins, a member of this bar, is a friend of mine, for whom I have both personal and professional regard, and I am sure his statement was inadvertent. For, in Pennsylvania now, and when Mr. Adkins appeared before you here, there is, and there was, pending a suit brought by a national bank against Comptroller Williams. It is the bank with which Representative McFadden has connection, the name of which I do not know. A Federal judge in Pennsylvania has issued an injunction restraining Mr. Williams in that case, and according to the last word I have heard on the subject that injunction is still standing. The Federal court issued its restraining hand against Mr. Williams. That I am not interested in. But I am interested in telling you that in that case, which is now pending, one of the attorneys now, and of course at the time when he testified here, for John Skelton Williams, Comptroller of the Currency, is and was Mr. Jesse C. Adkins. If representing a client as counsel in a pending litigation is not holding a brief for that client, then I do not know what "holding a brief" is.

When Mr. Adkins was testifying regarding the Lewis Johnson & Co. account, he was questioned by Senator Gronna as to whether the bank's funds had been used in the purchase and sale of stocks, his testimony having led directly to that inference, and the following occurred (Senate hearings, pt. 4, pp. 306, 307):

SENATOR GRONNA. Do you mean to say that it used the bank's funds in that way?

MR. ADKINS. They would use the bank's credit in buying stocks that they bought.

SENATOR GRONNA. But you just stated that they were using the bank's funds.

MR. ADKINS. Yes, sir; they were using the bank's funds, and if they did not have enough money to the credit—

MR. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

MR. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

Senator GRONNA. That is a very serious proposition, if they were using the bank's funds.

* * * * *
The CHAIRMAN. You do not claim as a matter of fact that the bank invested its own funds in this stock-brokerage business?

Mr. ADKINS. I do not claim that they took funds out of the bank without putting a new note there, but I do claim that they used the credit of the bank when they bought stocks.

And in his testimony Mr. Williams follows that same line of contention, as does Mr. Laskey, the point being to create the impression that the credit of the Riggs National Bank was used in the transactions with Lewis Johnson & Co. The statements are unfounded in law and disproved in fact. They are unfounded in law because the Riggs National Bank could not have dealt in buying and selling stock and its credits could not have been thus used, and no brokerage house or anyone else dealing with it could have claimed that its credit was relied upon. Dealing in stocks is ultra vires the powers of a national bank, and therefore the credit of the Riggs National Bank could not have been looked to by anyone. But that I mention merely as a side issue to show, as a purely legal proposition, how utterly absurd it is for lawyers to say that the credit of the bank was used. As a matter of fact, which is more important, the claim is disproved by the only sworn testimony on the subject. Mr. Laskey heard the only testimony ever given on this subject, and undoubtedly Mr. Adkins has overlooked it. In the trial of the alleged perjury case members of the firm of Lewis Johnson & Co. were subpoenaed to give testimony. Lewis Johnson & Co. was not a corporation; it was a firm; what one partner knew, of course, the firm was chargeable with knowing. No partner of that firm, although the Government had subpoenaed them, ever testified contrary to the only testimony on the subject given by one of the partners, Mr. Charles P. Williams, which I here quote. I turn to his sworn testimony on pages 1282 to 1284 of the record of the criminal-court proceeding, which shows, first, that this witness was subpoenaed by the Government, and, second, that the Government did not put him on the stand as a witness, and, third, that the credit of Riggs Bank was not used in the stock transactions referred to. [Reading:]

Charles P. Williams was called as a witness by and on behalf of the defendants and, being first duly sworn, testified as follows:

* * * * *
Q. How long have you lived in the District of Columbia?—A. Since January 18, 1875.

* * * * *
Q. Have you been in attendance on this trial every day?—A. Since the 8th day of the month.

Q. And have you informed my friend, the learned district attorney, of your presence here?—A. Yes.

* * * * *
Q. Were you subpoenaed as a witness in this case?—A. Yes.

Q. By whom?—A. By the United States.

* * * * *
Q. Were you ever connected with Lewis Johnson & Co.?—A. Yes, sir.

Q. For how long?—A. I entered that firm on May 14, 1904, and retired from it January 15, 1913.

Q. What was the nature of your connection with that firm?—A. A member of the firm—a partner

Q. Who were your copartners?—A. John William Henry and William A. Mearns.

Q. Did you have any personal knowledge of the stock-brokerage transactions that were carried on the ledger books of Lewis Johnson & Co. under the name of the Riggs National Bank?—A. Yes, sir.

Q. Did you ever have any talk with Mr. Charles C. Glover, Mr. William J. Flather, and Mr. Henry H. Flather about the orders given to Lewis Johnson & Co.?—A. Frequently.

Q. Were you ever informed with respect to who the purchasers and sellers of those stocks were?—A. In many instances.

Q. Who were you informed they were?—A. Customers of the bank; orders given by those individuals for the accommodation of customers of the bank.

Q. You being a member of the firm of Lewis Johnson & Co., I wish you would state why the account was carried on the books of Lewis Johnson & Co. in the name of the Riggs National Bank?

A. It was carried in the name of the Riggs National Bank in the same manner and same form that the accounts of other national banks were carried, for the convenience of Lewis Johnson & Co., for the reason that the orders on those national banks were being received from different members—or different officers of those institutions—

Q. As a member of Lewis Johnson & Co., did you, when stock was bought or when stock was sold, become aware who the seller was and who the purchaser was at any time?—A. I did.

Q. How?—A. For the reason that—

Mr. ARCHER. No; not for the reason, but how?

A. (Continuing.) For the reason that the moment a notice was delivered to the officers of any of those institutions, immediately an order was issued by that party, whoever it might be, to transfer the stock to the individual who purchased it.

Q. And when the stock was sold you would get a certificate?—A. Get the certificate in the name of the party, of some party, not of any bank.

Q. You are a client of mine, are you not?—A. I am.

Now, that is so clear, Senators, that I do not comment on it. In the light of that testimony, uncontradicted by any testimony whatever, it is difficult to understand how there can be here again repeated the entirely refuted assertion that either the funds or the credit of the Riggs National Bank had been used in stock transactions with Lewis Johnson & Co.

But you are told that not only did the Riggs Bank buy stock, but that that was one of the prime reasons why Comptroller Williams from 1914 to 1916, by continual examinations and by endless correspondence, and finally by nation-wide publications, held this bank up to contumely. If that in fact was, in part, the reason for the line of conduct adopted by Comptroller Williams toward the Riggs Bank, what explanation has been made to you of his failure to adopt a like line of conduct in view of the publicly known fact that precisely the same sort of accounts, covering precisely the same character of transactions, were carried on the books of Lewis Johnson & Co. in the names of 10 other national banks in the District of Columbia? This fact is shown by the sworn testimony of Mr. Morris Lammond, who, it will be remembered, gave Mr. Samuel Untermyer an affidavit contradicting the affidavit of Messrs. Glover and Flather, testified for the prosecution before the grand jury, and was subsequently rewarded by an appointment as national bank examiner. On pages 875 to 877 of the criminal court record this

witness, who had been produced on behalf of the prosecution, was under cross-examination, and I quote the record:

Cross-examination by Mr. HOGAN:

Q. I show you the following ledger accounts in the stock department of Lewis Johnson & Co., and ask you if the same are not originals produced by you from the records of Lewis Johnson & Co., now in the possession of the trustees?

Lewis Johnson & Co.'s stock department account with the Commercial National Bank.

Lewis Johnson & Co.'s stock department account with the American National Bank.

A. Yes.

Q. Both of those are in the names of the bank the same precisely as that of Lewis Johnson & Co. and the Riggs National Bank. They are the same, are they not?—A. Yes; they are.

Mr. ARCHER. Mr. Hogan, I understand you are just identifying those now?

Mr. HOGAN. Yes.

By Mr. HOGAN:

Q. Lewis Johnson & Co.'s stock department account with the Farmers' & Mechanics' National Bank?—A. Yes.

Q. Lewis Johnson & Co.'s stock department account with the Franklin National Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the National Metropolitan Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the National Bank of Washington?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the Second National Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the Columbia National Bank?—A. Yes, sir.

Q. All of which are originals?—A. Those are originals.

Q. They were produced by you out of the custody of the trustees of Lewis Johnson & Co.?—A. They were.

Q. And the banks whose names I have called off are national banks in this city?—A. They are.

Q. And these accounts were kept with those banks or in the name of those banks in the regular course of business of Lewis Johnson & Co.?—A. Yes, sir.

* * * * *

Q. These transactions that are shown here relate to the purchase and sales of stocks carried on your books?—A. Yes, sir.

The CHAIRMAN. Was that ever controverted in any way?

Mr. HOGAN. No, sir.

The CHAIRMAN. Disproved?

Mr. HOGAN. No, sir. It was proved by the Government witnesses, Senators, and proved by the production of the original documents. And the point is that Comptroller Williams, it is safe to say, never wrote a word to or about these other national banks in whose names Lewis Johnson & Co. carried precisely the same kind of an account that firm carried in the name of Riggs, while in official correspondence and nation-wide publications he pilloried the Riggs Bank for that thing. The discrimination is patent. The reason is obvious. The malice plain. Of course, I know, and the comptroller knew, that these other banks did not buy and sell stock from, to, or through this brokerage house of Lewis Johnson & Co. Neither did Riggs. The officers of all these other banks were simply doing what the Riggs officers were doing; sending to the brokerage firm the investment orders of customers, and Lewis Johnson & Co. were carrying the record of those transactions in the names of the several banks, as a member of that firm on oath testified, "for the con-

venience of Lewis Johnson & Co.," who knew that the stock purchases and sales were those of "customers of the bank" and that "the orders (were) given by those individuals (bank officers) for the accommodation of customers of the bank." (See sworn testimony of Charles P. Williams, quoted supra.)

The Glover and Flather account: The record of the hearings before this committee is in a very muddled state with regard to what is known as the Glover and Flather and the Flather and Flather accounts. Those were simply, so far as the Riggs bank was concerned, depositary accounts that might have been with Jones & Smith, or, if I may borrow the name, with Mr. T. H. Newberry, or any one else. In those accounts were deposited by Glover and Flather the commissions earned by these officers that were ultimately turned over to the bank. That is all they were. Who directed that the accounts be kept that way? The Treasury Department. Mr. Owen T. Reeves, jr., president of a national bank in Chicago, was in the employ of the comptroller's department from 1901 until 1912; he was national bank examiner of the banks of the District of Columbia "from 1906 until 1911," during which period he frequently examined Riggs National Bank. These are facts he testified to on oath in the criminal court proceeding. He made his first examination of the Riggs Bank July, 1906; at that time he discussed with Mr. Glover and Mr. W. J. Flather and Mr. Henry H. Flather the account which he found in the bank embracing commissions received by officers of the bank on stock and bond transactions; that he took the matter up with the then Comptroller of the Currency, and then informed Mr. Glover and both of the Messrs. Flather that he had discussed these commissions with the comptroller, who had called in Judge Oldham, who was the counsellor for the Comptroller of the Currency Bureau; that Judge Oldham had ruled that a national bank, under the law, was not given the power to do a commission and brokerage business, and that the comptroller had said that "he knew it to be a fact that an officer of most of the down-town Washington banks was a member in the local stock exchange, and they received the commissions themselves"; that as this was not the case with the officers of the Riggs Bank, who turned the commissions they earned over to the bank, "they had better handle it as personal matters of theirs: Let an account or one or two accounts" be opened and "credit those commissions to those accounts, and if they felt that the bank was paying them salaries for their services, if they wanted to make a donation or present to the bank at any time, that there was nothing that could prevent them from doing it, that it would not be a violation of law. And I then instructed the officers of the bank that under the instructions I had received, they should wipe out that commission account and carry it in their personal names." (Sworn testimony of Owen T. Reeves, jr., record, pp. 1068, 1070, 1071, 1075, 1076.)

This testimony of National Bank Examiner Reeves continues [reading pp. 1076, 1077, and 1078, criminal court proceedings]:

Q. You said that you told them that the Comptroller of the Currency had said that if they wanted to turn over the money earned from time to time to the bank—donate it, I think you said—they would have a perfect legal right to do so. Do you mean the money earned as commissions?—A. Yes.

Q. Was there to your knowledge an account opened under your direction for these commissions?—A. The account was opened; I saw it, inspected it every time I went in there afterwards.

Q. Do you remember the name of the account?—A. Under the name of Glover & Flather, I think. I don't remember whether they used the initials or not.

* * * * *

Q. Now, I will ask you whether or not the matter that you reported to these gentlemen was correctly reported; whether or not you correctly reported the instructions given you officially by the comptroller?—A. Yes, sir.

Q. You anticipated a question of mine, if I understood you; you said that thereafter as long as you were bank examiner here, as long as you inspected the Riggs National Bank you inspected that account of Glover & Flather?—A. Yes, sir.

Q. I show you a sheet of the Glover & Flather account. Is that the account you refer to in the name of Glover & Flather? [Handing witness a paper.]—A. (After examination.) I think that is the same account.

Q. Did you also have access to the Flather & Flather account?—A. Yes.

Q. How long were you a bank examiner here?—A. Six years.

Q. Who succeeded you?—A. Mr. Hann.

Q. I hand you an account named as the W. J. and H. H. Flather account.—A. There were two accounts.

Q. I wish you would state, Mr. Reeves, whether or not any of the defendants or officers of the bank ever refused to permit you to see those accounts?—A. Oh, no; I was never refused permission to see anything in the bank. Mr. Glover was always very insistent that I try to find something in the bank to tell him.

Q. During the time you were bank examiner, after you gave those instructions to the officers of the bank in 1906, state whether or not so far as you observed those accounts were kept as you directed?—A. They were.

Q. Mr. Darlington makes a suggestion that I thought had been covered by my questions to you. The two accounts I hand you are the Glover & Flather account and the Flather & Flather account, as you have stated?—A. Yes, sir.

So that, as you now see by uncontradicted, undisputed, sworn testimony, by direction of the Treasury Department in 1906 these accounts, for which these gentlemen have been pilloried here and elsewhere for carrying in the Riggs Bank, were opened in that bank and were subjected thereafter constantly to these examinations:

Now, before I pass from Mr. Reeves, it has been said here that Mr. Reeves criticized the bookkeeping methods of the bank and in other ways criticized affairs in the bank. No national bank ever failed to receive some criticisms from an intelligent and careful bank examiner. Mr. Reeves did criticize the bookkeeping methods. The Bank of England, you know, until recently, could not be induced to put in calculating machines or typewriters. The Riggs National Bank was an old institution, and they held on for a long time to the old bookkeeping methods. But Reeves was a constructive Government official, his criticism and his calling attention to things resulted in helping that and other institutions, so that when they were brought to our attention, anything regarding bookkeeping that Mr. Reeves wanted changed, in due course of time, when new books were gotten, they were brought up to the most modern methods of bookkeeping. And so, having as national bank examiner examined the Riggs Bank repeatedly in the five-year period from 1906 to 1911, Mr. Reeves, on oath, testified in the alleged perjury trial (criminal court proceedings, record, pp. 1079-1080):

Cross-examination continued by Mr. FITTS:

Q. It was a good, strong bank, was it not?—A. One of the best banks I ever examined.

That is why said Mr. Reeves had come here and so testified.

You will have noted that Mr. Reeves stated he was succeeded in the District of Columbia by Bank Examiner Hann. This examiner, Mr. Samuel M. Hann, rendered the last national bank examiner's reports to the Comptroller of the Currency immediately preceding the incumbency in that office of Mr. John Skelton Williams. When I last appeared before you I quoted from that report, commendatory and laudatory of Riggs Bank. I have shown you that that report was under the personal examination of Comptroller Williams. By it Mr. Hann showed that on his very first examination of the Riggs Bank he was made acquainted with the Glover and Flather accounts, and in that report Mr. Hann states that Examiner Reeves had informed him that the practice had been submitted to the Secretary of the Treasury and had not been decided not to be in contravention of the national-bank act. Mr. Adkins appeared before you he seemed to doubt that Mr. Hann had so reported, and, as I remember his remark, said he would like to see that report. It is strange his client, the comptroller, has not shown it to him. In part 2 of these proceedings it is sufficiently quoted from on the subject of the bank's condition, and I insert here a page of that official report received at the comptroller's office June 2, 1913, on the subject of the Glover and Flather accounts.

(The matter referred to is as follows:)

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY.

No. of bank, Riggs National Bank, D. C.

Date of report, May 15, 1913.

GENERAL REMARKS.

Your examiner desires to call special attention to the following practice which Mr. Glover states "has been in vogue for over 40 years and which has been reported and made known to every Comptroller of the Currency." Messrs. Glover and Flather (as individuals) invest money for customers of the Riggs National Bank, Washington, D. C., on real-estate security; they also buy and sell stocks and bonds for customers of the bank. Messrs. Glover and Flather hold seats on the local stock exchange.

There is carried on the individual ledger of the bank two accounts, viz, one designed as "Glover & Flather" and the other as "Flather & Flather." The records of the bank disclose that on October 5, 1911, there was transferred from the account of "Glover & Flather" \$1,800 which was placed to the credit of profit-and-loss account; on October 5, 1911, there was transferred from the account of "Flather & Flather" \$8,700, which was placed to the credit of profit-and-loss account; on October 3, 1912, there was transferred from the account of "Flather & Flather" \$3,600, which was placed to the credit of profit-and-loss account; on October 3, 1912, there was transferred from the account of "Glover & Flather" \$2,400, which was placed to the credit of profit-and-loss account. The account of "Glover & Flather" was opened on the individual ledger November 30, 1906; the account of "Flather & Flather" was opened on the individual ledger January 8, 1907.

Messrs. Glover and Flather admit that these accounts contain the commission or profit on real-estate loans; also the commission on sale of stocks and bonds. They state "that formerly the bank credited the commission on real-estate loans and sale of stocks and bonds to a commission account, but in deference to the department, they closed this account, and since 1906, as above stated, the commission or profit has been credited to their individual accounts."

Mr. Glover stated to the examiner "that not a dollar of the bank's assets was being loaned on real estate." He claims that, being treasurer of the American University, treasurer of the Corcoran Art Gallery, and treasurer of the Louise Home, there is always at his disposal, a large amount of money awaiting investment. He further states "That in addition to the above-mentioned institutions a great many individuals seek real-estate investments

through him on account of his wide experience in handling Washington real estate." He states "this custom has been in existence for over 40 years, and his clients have been so accustomed to this method that it would be difficult to induce them to take any other form of investment. In the whole 40 years, we do not recollect the loss of a dollar in the investments thus made."

He claims that these transactions are entirely personal; that his clients immediately give a check against their account in the bank for the money invested in real estate or for the purchase of stocks and bonds. He claims that the money is deposited in the Riggs National Bank for the avowed purpose of being invested in real estate or stocks and bonds. He states that in this way his deposits have been materially increased, in that there is always a large amount of money seeking investment. He states that "these institutions would not leave their money on deposit even with 2 per cent interest; that by virtue of the practice above outlined the bank not only has the use of the money while waiting for investment but that when the real-estate notes mature the proceeds thereof are deposited to the customer's credit until the money can be again reinvested."

Mr. Glover states that "as far as the profit is concerned, there is no legal or moral obligation on his part to turn it over to the bank." He states "the commission or profit belongs to him, and that he first began turning it over to the bank when the Riggs Bank went over into the national system."

He claims that while usually these real estate loans are investigated after banking hours, at times he and Mr. Flather have investigated properties during banking hours.

In order to hold himself above criticism, he has turned over every dollar of profit to the bank. He states "that he has loaned millions of dollars in this way." The collection files of the bank indicate a large amount of real estate notes left for collection; these notes are filed with all the other notes and are not among the assets of the bank.

Examiner Reeves informed your examiner that this practice had been submitted by Comptroller Ridgley to the (then) Secretary of the Treasury, who had decided that the above practice was not in contravention of the national banking act.

Respectfully submitted.

SAMUEL M. HANN, *Examiner.*

To the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Mr. HOGAN. I hardly think it will be further possible to misrepresent, or for anyone to misunderstand, the Glover and Flather account.

Mr. Untermeyer in his testimony here said two things: First, that Mr. Williams is a good comptroller; second, that the Riggs National Bank was a brokerage shop—I use his own language—"was not a bank at all." Mr. Untermeyer was as correct, and no more so, in the first of those statements as he was in the second. Mr. Untermeyer never has been inside of the Riggs National Bank in his life to my knowledge. Certainly he has never examined its business.

The Riggs National Bank had in 1914, 9,000 depositors. It had correspondence with several thousand national banks throughout the country. It dealt in extensive foreign banking relations, keeping its own accounts in London and Paris. It was for a long time the only banking institution in Washington where you could get foreign money, which dealt in foreign exchange. There is no banking activity that is not conducted in the Riggs National Bank in connection with its millions of dollars per day in transactions, and against that it was found that in about 10 years its officers had in 2,600 instances accommodated customers by attending to their investments for them, less than an average of one a day, which is the foundation upon which Mr. Untermeyer bases his sweeping assertion that "this was not a bank at all."

When Mr. Untermeyer made that statement and said that Riggs Bank was nothing more than a "stock-brokerage shop," he forgot

that it had been the banking house of every President of the United States since Lincoln save one; and not because it is important, but because it is very interesting, I would like you to look at this check drawn by Abraham Lincoln just a few months before he was assassinated. He is a man that Samuel Untermyer would tell you dealt with a "stock-brokerage shop" which "was not a bank at all."

(Mr. Hogan here exhibited to members of the committee a check on Riggs Bank drawn by Abraham Lincoln, dated Nov. 18, 1864.)

You have been told that this practice of accommodating customers in the matter of their investments had ceased. Senators, if any one of you want to consult the well-informed officers of the Riggs National Bank—who, with one exception, are to-day exactly as they were when Mr. Williams started his fight—about investments you want to make, the officers will now extend that accommodation to the bank's customers just as bank officers the country over are daily doing. The only difference now is that the officers in their individual capacity no longer charge a commission which they turn over to the bank, and that difference is brought about because the Federal reserve act prevents officers from making any money other than their salaries.

By reference again to the first page of this printed copy of Comptroller Williams's communication of August 12, 1919, to Senator McLean it will be found that in heavy black-faced type Mr. Williams has inserted this heading: "Attorney Hogan objects to making public the bank's correspondence with the comptroller."

Passing the peculiarity of having such captions interspersed throughout what is pretended to be a communication to the chairman of this committee, and passing for the moment the half-truth character of even quotations of the record of the hearings here which Mr. Williams purports to make in the August 12 communication, I want to make clear just what Mr. Williams refers to and make plain the true fact respecting that reference.

As I have already told you, the correspondence between all Comptrollers of the Currency and the Riggs National Bank from the date of the bank's organization to the time of the hearing of the equity suit in May, 1915, was printed. The bank had this correspondence printed for the use of its officers, directors, and counsel, in three volumes. The comptroller had this correspondence printed at the Government Printing Office, doubtless primarily for the use of his counsel in the equity case; and the "comptroller's print," like the "bank's print," consists of three volumes. Each volume of the "comptroller's print" bears upon it in black-faced type the words "Appendix to briefs for the defendant." We shall shortly see that these volumes were not at any time an appendix to the briefs for the defendants—McAdoo and Williams—in the equity case, and I have heretofore given you my version of the reason for the use of that subtitle. You have been repeatedly told that from the time of the organization of the bank down to the time of the equity suit in April, 1915, through the administration of various comptrollers, there had been constant complaint of violation by the Riggs Bank of the national-bank laws and regulations.

I have already exhibited to you all of the correspondence between the bank and all comptrollers from the bank's organization to the time of the suit. It is sufficient here to repeat that the entire correspondence between the Riggs National Bank and Comptrollers of

the Currency from August, 1896, to June, 1914, a period of approximately 18 years, is comprised in one small printed volume of 78 pages. The correspondence between Comptroller Williams and the Riggs National Bank from June, 1914, to April, 1915, a period of 11 months, is comprised in two printed volumes of 516 pages.

When I last appeared before this committee I stated that counsel for the bank had endeavored to have the judge presiding at the preliminary hearing of the equity case have opportunity to examine this entire correspondence, but that that was objected to and prevented by counsel for the comptroller, Mr. Untermeyer. On the first page of his August 12, 1919, letter, Mr. Williams, referring to this statement, says:

Mr. Hogan, former attorney for the Riggs Bank, in his testimony before your committee, indicated that the comptroller's office would deprecate publication of the entire correspondence with the Riggs National Bank. His insinuation, or statement to that effect, is untrue, and was, I believe, deliberately intended to mislead or prejudice your committee. The truth is, it is Mr. Hogan, or his former client, the Riggs Bank, who now objects to having the daylight thrown upon that correspondence—not the comptroller.

On that subject I present, first, the equity case record; second, what the record of the hearings here themselves clearly shows.

In the record of the proceedings in the equity division of the Supreme Court of the District of Columbia, Mr. Justice McCoy presiding, on May 17, 1915, the first day of the preliminary hearings in the case of *Riggs National Bank v. Williams et al.*, pages 19, 20, 21, 22, 25, 26, and 27, the following is found:

Mr. BAILEY (counsel for the bank). If your honor please, before we proceed I want to ask counsel for the defendants a question. Here are three volumes, entitled "Correspondence between the Treasury Department and the Riggs National Bank," printed, it seems, at the same time with their answers or their affidavits, and uniform with them, styled "an appendix to the briefs of the defendants." I wish to ask counsel if that is to be understood now as before the court?

Mr. UNTERMYER (counsel for the defendants, Comptroller Williams and Secretary McAdoo). No; I do not understand that that is before the court. Our affidavits show what is before the court. They show that the letters of criticism which have been separately printed are before the court, but that they were not served and were not given out because of the desire not to disclose the names contained in those letters.

The COURT. Senator Bailey, I have not had the volumes that you have there. All that I have are those affidavits.

Mr. UNTERMYER. These have not been filed.

Mr. BAILEY. Of course, but a brief has been filed; I understood that. The purpose of my inquiry was to satisfy myself how far we were justified in referring to these [indicating the entire correspondence between the comptroller's office and the Riggs National Bank] on the argument.

Mr. WARREN (also counsel for the defendants, including Comptroller Williams). Not at all.

Mr. BAILEY. Then I will ask except as to those letters in which the business of the bank's customers is discussed, and obviously the bank ought not to put them before the court and thus make public the business of its clients and customers—outside of those I ask counsel to agree that in the argument these letters, as they have published them themselves, shall be understood as before the court and subject to use in the argument.

Mr. UNTERMYER. We object to that, if your honor please. We object to extending the scope of this argument. We are hopeful of being able to close the argument to-day and counsel has quoted very liberally in his bill from those letters that he desires to use. We have quoted from the letters that we desire to use. We see no reason for dragging into this controversy all this correspondence, part of which might or might not be competent if we come to a trial

of the action, but is certainly not competent or material here. They were printed for private use and for convenience.

The COURT. I think there is enough of the record here now to argue the case on.

Mr. BAILEY. If your honor please, there may be too much, and in our opinion there are many allegations that could well have been omitted; for instance, the allegation about Lotta Taylor, about which we have just had a controversy. Lotta Taylor never was in the employ of the Riggs National Bank, and consequently the whole story about her is irrelevant. But I would not have ventured to make this suggestion except that these letters have been printed at the Government Printing Office, and are designated as an appendix to the brief; * * * and surely if the brief was printed as this appendix to it is printed, I would have the right to refer to it and comment on it and deduce such conclusions from it as I could; * * *

Mr. INTERMYER. I want to say before we close that part of the discussion that that is erroneously stated as an "Appendix to the brief."

Mr. HOGAN. It is printed three times.

* * *
Mr. INTERMYER (handing to counsel for the bank a small printed volume containing 42 of the letters referred to). There are 42 letters of criticism referred to in the answer, but you have not copies of them.

Mr. HOGAN. They will not be used here, I understand?

Mr. INTERMYER. They are to be used. They are a part of our papers, but they are not to be made public because of the names attached.

Mr. HOGAN. Oh, no; oh, no.

Mr. INTERMYER. I say, oh yes. It is for the court to determine.

Mr. HOGAN. Well, let the court determine it. My friend, and this is impersonal, surprises me by him mental ability. He now hands me 69 printed pages, which he says are letters which are referred to, but not set out but quoted from in the answer, which they desire to use in this case as part of their answer * * *. Well, why? Are these selected letters, that are before the court and not in this answer, any more to be referred to than these other letters springing from the same source, printed by the same defendants? * * * I say to them, you can use them if we can use them all. We will use none or all, but we will use all or none, and we respectfully submit that that ought to be and should be and must necessarily be the court's position. Why, forsooth, has it ever become right under the practice here, to bring a lot of letters that you did not file and use them and not bring all in that you did not file and use?

Mr. INTERMYER. If your honor please, I do not think my friend quite apprehends the point of discussion. These 42 letters are letters from the department of the Comptroller of the Currency, letters of criticism of this bank, and are written from time to time, and are thus referred to in Mr. Williams's answer or affidavit. * * * So that they relate to official documents in the possession of the plaintiff, issuing from the office of the Comptroller of the Currency, expressly sought to be embodied in the papers as part of the papers, but not filed because they contain the names of borrowers through a series of years, and we see no reason why these people's names should be dragged into the controversy or be given publicity. That is all there is of that. * * *

The COURT. Of course, it raises the other question as to whether or not the Government wants to adhere to its purpose of keeping these matters private. Of course, if they are used on this motion they have to be filed.

Mr. INTERMYER. That being so, if your honor please, we do not think the exigency of this case warrants the Government in exposing private affairs or of private individuals, and if these papers must be filed in order to be used, then we shall not ask that they be used.

Mr. BAILEY. If your honor please, perhaps this would accomplish all that counsel desires. I am perfectly willing that all of these letters, omitting those that discuss the accounts of customers, shall be used, provided that also all of these letters passing between the bank and the comptroller pending this controversy or preceding this controversy shall likewise be used, except those which discuss the accounts of customers. I thoroughly agree with Mr. Intermyer that the controversy between the comptroller's office and the bank ought not to be made the occasion of exhibiting to public view the entirely private business transactions of customers of the bank. Neither the Government nor the bank would desire to do that. I am, though, sincerely anxious that counsel shall have the privilege of discussing and presenting to the court all of the letters * * *. So, in order that the court may have the benefit of

everything, we will agree, if it suits counsel, that all of the letters in these three volumes shall be considered before the court for the purpose of argument or for any other purpose if counsel please, except only those in which the transactions of customers are discussed.

Mr. UNTERMYER. My friend is too kind. We do not think, your honor, that it would be possible to separate the matters here and make them intelligible, if they are to be put in the files without the use of these names, and therefore we shall not insist upon this batch of letters being considered; but counsel may have them if they like.

Mr. BAILEY. We have them.

That is the immutable record. My testimony before this committee to the effect that the counsel for the comptroller had by objection prevented the laying before the court of the entire correspondence—omitting public reference to customers' names—was based on that equity record, in the teeth of which the comptroller circulates a document purporting to be addressed to the chairman of this committee, in which he said that when I informed you that in the equity case his counsel deprecated the publication of the entire correspondence, I made an "insinuation or statement" which, says the comptroller, "is untrue, and was, I believe, deliberately intended to mislead or prejudice your committee." And in the face of the record showing the willingness of the counsel for the bank to have all of the letters presented to the court for its consideration, Mr. Williams makes the statement that the truth is that the Riggs Bank, referred to by him as my "former client," or myself object to having the daylight thrown upon that correspondence. Comment would only weaken so obvious a situation.

Now, Senators, as you know, I produced and left with this committee the three volumes of the correspondence between the bank and the comptroller. And with respect to that correspondence, in part 2, page 150, the following is shown to have occurred here:

The CHAIRMAN. That volume of letters will be left with the committee, Mr. Hogan?

Mr. HOGAN. Yes, sir. I do not think that volume of letters, however, should be published, because, as I say, name after name of persons having no connection with this are in it.

The CHAIRMAN. I understand. It will be considered in executive session.

If you will turn to page 1 of Mr. Williams's letter of August 12, 1919, to the chairman you will find that, following his usual custom when he undertook to quote the record he, first, uses italics and, second, omits from his quotation the line in which the chairman of this committee made the statement that he understood that the volumes contained names of persons having no connection with this matter and that the correspondence "will be considered in executive session." Also, in part 8 of the hearings before this committee, page 614, referring to this correspondence of the comptroller with the bank, the following statement was made by the chairman.

The CHAIRMAN. I do not think it is worth while to encumber the record with too many of them. I will leave it to your judgment. You realize the situation. This matter has been gone over so many times.

In part 8 of these hearings, on page 625, referring to the same correspondence, the following is found:

The CHAIRMAN. The correspondents will show the character of their replies, and we have that correspondence.

In addition to making the statements I have already quoted, Comptroller Williams further says on page 1 of this August 12, 1919, pamphlet of his:

I venture to suggest that it was not the names of "persons having no connection with this" that prompted Mr. Hogan's eagerness to prevent that correspondence from being printed, for names which should not be given could easily be deleted. It was more probably his desire to keep from the public illuminating facts regarding the unlawful and discreditable practices of the bank and its officers, including the fraudulent operations of Mr. H. H. Flather, formerly cashier of the bank, etc.

Mr. Chairman, there was, as the record clearly shows, left with this committee the printed volumes of this entire correspondence; both the comptroller and myself have been allowed to quote in this record from any part thereof; I have here an extra set of that printed correspondence, and I would like you—not you, Mr. Chairman, because you happen to be with the majority party in Congress; but you, Senator Henderson, who by training and profession are a lawyer and a member of the party of which Mr. Williams is a member—I am going to leave with you these three printed volumes of the correspondence between the Comptroller of the Currency and the Riggs National Bank, the first being the correspondence preceding Mr. Williams's incumbency in office, the other two volumes being the correspondence to which Mr. Williams refers in the quotation I have made from his letter of August 12, 1919, and I ask you to do two things: First, to incorporate in the printed record of these hearings any part of this correspondence which directly or by inference you find to show Henry H. Flather guilty of the slightest fraudulent transaction or operations toward or in connection with any customer or client of his own or of the bank's, and to print it fearlessly. Secondly, if you find any correspondence in these two volumes which shows any fraudulent conduct or operations on the part of Mr. Henry H. Flather toward any bank customer or clients, or any client or customer of his, which I have suppressed, I ask you to disregard utterly and entirely every word I have said before this committee.

Loans to officers: In his testimony here, which I am endeavoring hurriedly to rebutt, Mr. Williams returned again to his criticism of loans to officers of the Riggs Bank. I am not going to repeat what I have already said on that subject; it will be found in part 2 of these hearings. You now know that there was never a loan to any officer of the Riggs National Bank that was not collaterally secured. You now know, and he has known, that there was never one dollar lost by loans to any officer. You now know that while Mr. Williams has given Nation-wide publicity to the loans made to officers and directors of the Riggs Bank, he solicitously appeared before this committee and urged that it would be manifestly unfair to give the same, or any publicity, to loans made through the officers and directors of other national banks in the city of Washington. A reference to your proceedings here only yesterday is sufficient on this point. You now know that while he was hounding the Riggs National Bank, on the pretext that it had made loans to its officers, and not because he was animated by personal hostility, the other banks in this community under his very eyes, as banks throughout the country do, were carrying loans to their officers and directors, and you have never

heard of any of them being harassed for it, and you were told that it would be manifestly unfair to even make it public. The solicitude of the Comptroller of the Currency for other institutions, if it had been shown even in a minor degree toward the Riggs, would have saved this committee a great deal of trouble.

I call your attention, Senators, to an astounding thing. Mr. Williams has in his testimony a number of times referred to loans to officers of the bank. From his testimony, and from his writings on this subject, he habitually deleted any high grade collateral which the bank had as security for those loans, although he has, and has all along, been fully informed just what that collateral was, and at the same time he always emphasizes any low grade collateral that might have been found among the excess margin in the security of the officers' loans. So persistent was he in creating an impression of this kind regarding the collateral behind officers' loans that on one occasion when he had returned to the subject he was questioned about it by Senator Gronna. From this record I assume that Senator Gronna has had practical banking experience, the questions he propounded on the various subjects here so indicating. In part 9, pages 686 and 687, what I have referred to as an astounding thing will be found recorded. Seeking information regarding the collateral held by the bank as security for officers' loans, Senator Gronna questioned the comptroller. Permit me to quote the record (pt. 9, p. 686-687):

Senator GRONNA. What was that collateral?

Mr. WILLIAMS. That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 14 cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list.

And then Senator Gronna asked a question, a pertinent question which would be suggested to an intelligent mind, of the comptroller, and listen:

Senator GRONNA. Were they put up at par or put up at actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Mr. WILLIAMS. Mr. Chairman, let me interrupt.

Mr. HOGAN. I do not care to be interrupted. I did not interrupt the gentleman.

Mr. WILLIAMS. I made no such statement as that.

The CHAIRMAN. You are reading from the stenographic report?

Mr. HOGAN. Page 687 [reading]:

Senator GRONNA. Were they put up at par or put up at their actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Now, that he made the statement, which he now excitedly sought to deny, is conclusively proved by the very next inquiry of the Senator [continues reading]:

Senator GRONNA. They were?

Mr. WILLIAMS. I have no doubt they were. They were lending on stocks of a highly speculative character at par. Some of them were good. I do not know how the loans ran for a period of years; how far they were adequately margined. It was with a view of getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report.

Senators, at the time he made that statement he had in his possession the truth, which would have enabled him to give Senator Gronna, who was seeking the truth, the facts.

I hold in my hand and exhibit to you photostatic copy, obtained from the comptroller's office by a process of court, of the official report of the examination of Riggs National Bank by National Bank Examiner Hann, which report shows on its face it was filed in the office of the comptroller on June 2, 1913. Throughout the pages of this report there are marks of defacement and notes to call attention to particular parts of it, which marks I charged were made by John Skelton Williams personally with his own hands. I exhibit these marks on the face of the pages of this report to you [indicating]. I call attention to that not because I want you to see the marks, but in order to emphasize the fact that this paper had been before Mr. Williams personally, and that the data reported officially in it by the national bank examiner on this very subject with respect to which Senator Gronna interrogated the comptroller was before Mr. Williams personally. There is no conceivable loophole through which the witness can crawl on this subject.

On page 8 of this national bank examiner's report, under the heading "Attention called to the following loans to directors, Schedule D," is the following [reading]:

\$71,000—M. E. Ailes: Secured by mixed stock exchange collateral worth (last quotation) \$46,700. \$35,000 joint with other individuals worth \$500,000 (temporary loan)—used to improve Commercial Club.

\$63,500—Henry H. Flather: Secured by mixed stock exchange collateral worth \$75,000.

\$71,925—William J. Flather: Secured by mixed stock exchange collateral worth \$94,000.

\$54,000—Charles C. Glover: Secured by 500 shares stock American Security & Trust Co., D. C., at 300, \$150,000.

Permit me to emphasize that the foregoing was in an official report rendered as a result of the bank examination conducted just the summer before Comptroller Williams started his fight on the Riggs National Bank, which official report he had personal knowledge of long before he made his statements here regarding the officers' loans and before Senator Gronna propounded the pertinent relevant question that naturally suggested itself to any intelligent man. Note, please, that the collateral was not listed at par, but at the actual value, as found by the national bank examiner, according to the last quotations. Note further that as to Mr. Ailes, behind \$35,000 of his indebtedness there were, at the market value, collateral worth \$46,700, or a \$10,000 margin, and as to \$35,000, a mere temporary loan, made, as you will notice, for a public purpose, Mr. Ailes was a joint maker with other individuals worth \$500,000 according to the bank examiner's investigation as regards Mr. Henry H. Flather's indebtedness of \$63,500, the bank examiner officially reported it secured by collateral worth \$75,000. Mr. William J. Flather's indebtedness of \$71,925 was secured, according to the bank examiner's official report, by collateral worth, at the then last quotation, \$94,000, a margin of \$23,000. And Mr. Charles C. Glover's loan of \$54,000 had behind it collateral the market value of which was at the time \$150,000, nearly three times the amount of the loan.

And with this information before him Comptroller Williams informs Senator Gronna that collateral was not put up at its actual

value, but at par—a statement which naturally brought forth these inquiries from Senator Gronna: "They were?" To which Mr. Williams responded "I have no doubt they were." The context shows that no error was made in the reporting.

On page 14 of this bank examiner's report, which I am exhibiting here to you and which, I repeat, Mr. Williams had personally before him, the examiner says, regarding Riggs Bank loans:

Of total loans \$6,700,000 are secured by collateral; 80 per cent of which are secured by marketable and quick collateral.

But that is not all there is in the way of the almost inconceivable creating of false impressions. Mr. Williams would lead the committee to believe that he had shown in the record here the list of collateral behind Mr. Henry H. Flather's loan with the bank in 1914. The fact is that he did put in a list of what he endeavored to lead this committee to believe was the collateral behind Mr. Flather's loan, in which list, however, he gave you only the following stocks:

LISTED.

Two hundred shares St. Louis & San Francisco preferred stock; 100 Rock Island Railroad preferred stock; 100 Rock Island Railroad common stock; 200 shares Missouri Pacific Railroad stock; 200 shares Inspiration Consolidated Copper stock; 350 shares Intercontinental Rubber stock.

When Mr. Williams put that list in the record he knew from this bank-examiner's report which I hold here in my hand before you, that the Henry H. Flather loan of \$63,500 was secured by collateral having a market value of \$70,000, and he had been furnished with a list showing every security in that collateral, which list is as follows:

One hundred shares Security Storage stock; 65 shares Southern Railway; 12 shares Norfolk & Washington Steamboat Co.; 150 shares Washington Railway & Electric; 200 shares Inspiration Consolidated Copper; \$20,000 of Wabash first registered and extended 4's; 350 shares of Intercontinental Rubber; 200 shares Missouri Pacific; 50 shares People's Gas; 20 shares American Car & Foundry; 100 Rock Island preferred; 100 Rock Island common; 200 St. Louis & San Francisco second preferred. Total, \$63,500. Value of collateral, \$70,000.

All the above is here in plain typewriting in the official report of the national bank examiner.

But more than that, on July 14, 1914, is a letter addressed to Mr. Williams in response to one from him dated July 2, 1914, to which he personally made reply, and which there can be no question that he personally saw and was familiar with, which letter will be found on pages 94 to 119, inclusive, of the printed volume of the correspondence between Mr. Williams and the Riggs Bank, Mr. Williams was informed that the loans to Henry H. Flather, on May 18, 1914, aggregated \$63,500, and were secured by stock and bonds, a list of which was given him and which list is precisely the same as that last above quoted. (See pp. 108, 109, of the correspondence.) The list transmitted on July 19, 1914, to Comptroller Williams showed that the above listed Southern Railway was preferred stock and the above listed 150 shares of the Washington Railway & Electric was preferred stock.

You will see that knowingly and deliberately Mr. Williams presented to you as the collateral for Mr. Flather's loan the names of six securities, when the list of that collateral, in his possession,

showed 13 securities in the collateral; you will see that he made no reference to the fact that in the collateral there were 100 shares of Security Storage stock having a market value at that time of \$190 per share, its par value being \$100; that he made no reference to the Norfolk & Washington Steamboat Co., one of our very highest grade securities, and that he even deleted the 50 shares of Peoples Gas stock which appears in the list between the Missouri Pacific and the Rock Island stock which he did mention.

I could go on and give you case after case of illustrations like that, but it would be wasting your time.

Mr. Williams said that I did not read the prices of stock that he had made reference to in one of his letters. I was only illustrating at the time this thing which showed how he selected certain low grade stocks from a list in which they merely represented excess margin collateral, the complete list, if truthfully presented, showing that the loan in question was safely secured. Now, I have shown you, I think conclusively, that this public official, appearing before a Senate committee with the data which would enable him to state the truth in his possession, deliberately suppressed, valuable information, deliberately created false impressions, deliberately untruthfully answered plain questions propounded to him by Senators, in instances where, if he disclosed the facts in his possession, they would prove, first, the untruthfulness of his statement, second, the paranoic-like malice of the man.

You remember in this record when the subject came up of loans made by certain District of Columbia banks to members of the family of Comptroller Williams, I said that I would later refer to that subject in another connection. I now simply call attention to the fact that James Trimble, a national bank examiner, under dates of June 30, 1919, and July 8, 1919 (part 4, pp. 255 and 257, Senate hearings), in two letters obviously dictated by Mr. Williams on the subject of the collateral security in the Commercial National Bank and the Munsey Trust Co. of John L. Williams & Sons' loan, says, that the Georgia and Florida bonds found among the collateral for those loans "may be considered nothing but excess margin," as the phrase is in the June 30, 1919, letter, or "might reasonably have been regarded as excess margin," as it phrased in the July 8, 1919 letter. But when low grade securities are found among high grade securities in the collateral of Mr. Flather they were not "considered nothing but excess margin," but are listed in Mr. Williams' correspondence with the bank and sent to this committee here as though they constituted the only collateral.

That collateral behind the loans to the officers were put up at their market and not at their par value was a fact which was evidenced by data immediately under Comptroller William's eyes when he answered Senator Gronna here, for by reference to part 9, page 687, of these hearings, you will find that at the very time that Senator Gronna indicated, he had before him information respecting the Felt note, made for the accommodation of Mr. William J. Flather, the loan being \$17,500, secured by 120 shares of Mergenthaler stock, the market value of which was on the date of that loan \$224 per share; the value of the collateral being therefore, \$26,880 to secure a loan of \$17,500.

One more instance, Senators, in this same connection, to show what I beg leave to characterize as the devilish ingenuity of the man: He says, at the bottom of page 686, part 9, of these hearings, that some of the stocks which were in the collateral of the H. H. Flather loan were "selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18."

What is the inference you draw regarding the market price of the last stock he thus mentions? You understood from that that the stock he referred to was selling as low as 18 cents on the dollar, did you not? Well, the truth is that the stock he there refers to and which he also listed in the same connection in his letter of July 26, 1914, to the Riggs National Bank (see p. 137 of correspondence) is "200 shares Inspiration Consolidated Copper Stock," which at that time was quoted in the market at \$18 per share, the par value of which was \$20 per share, so that it was at that time selling for 90 per cent of its par. Note that he was particular not to say "18 cents on the dollar," though he had used the expression "1 cent on the dollar," "9 cents on the dollar," with reference to the other stocks in the same sentence. But, of course, no one could read his statement in any other light, and the false impression would have been created by the habitual half-truth method, if I did not now call your attention to it.

In the summer of 1914, in order that Mr. Williams would not even have a pretext for continuing any controversy on the subject of loans in the Riggs Bank to its officers, the officers decided that irrespective of how good their collateral was, they would not carry its loans in that bank, and they had no difficulty whatever placing them with other banks, and placing them with other banks under the supervision of the Comptroller of the Currency. The entire loans taken from Riggs Bank and placed with other banks in Washington at that time by the four officers of the bank, Mr. Glover excepted, as he had no loans whatever in Riggs Bank or any other Washington bank at that time, totaled \$144,800, Mr. Ailes having \$17,500, Mr. W. J. Flather, \$63,800, and Mr. H. H. Flather, \$63,500. Were they good loans? If they were not it was the comptroller's duty to order them out, for they were carried by banks right here in Washington under his control. He did not do it.

Loans to Treasury officials and members of their families: There was another pretext for the line of conduct on the part of Comptroller Williams toward the Riggs Bank in 1914 and 1915, and that it was simply a pretext is now proved by his own actions. Mr. Williams in dealing with the Riggs Bank indicated that loans made by the bank to Secretaries of the Treasury or previous Secretaries of the Treasury and Assistant Secretaries, to Comptrollers of the Currency, or to any members of the families of any such officials, furnished grounds not only for criticism but for condemnation. In an affidavit he filed in the equity case—and which was sent throughout this country in a 24-page circular printed at the Government Printing Office, circulated at Government expense, as part of Mr. Williams' Riggs Bank propaganda—he listed, as something uncovered by his vigorous official conduct, the fact that the Riggs Bank had loaned money in the past to persons who happened to be Treasury officials

and members of the families of Treasury officials. The standard that he pretended to hold up is indicated by these inquiries of his addressed to the Riggs Bank. Under date of November 24, 1914 (p. 310, correspondence), he wrote to the bank a letter, and among other things he said:

You are now requested to send to this office, within five days, a special report showing all loans which the Riggs National Bank has made, either directly or indirectly, at any time in the past 10 years, to the Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency and national bank examiners, and members of the families of these respective officials * * *

And under date of September 5, 1914, replying to a letter from the bank in which he had been informed in substance that the bank had no way of knowing the names of all national bank examiners, and the names of members of national bank examiners' families, over a period of ten years, although, of course, the bank could recall those bank examiners who had official relations with the Riggs Bank during that time, the comptroller said:

If you will furnish the information called for as to the national bank examiners (and members of their families) who have had official relations and who have borrowed money from you (or members of whose families have borrowed from you), this information will suffice, for the present, as to bank examiners.

It will be observed that comptroller John Skelton Williams thus indicated that loans to members of the families of Comptrollers of the Currency, or other Treasury officials, were apparently things of a sinister nature. Obviously he was taking the high and lofty position that there was something crooked, worthy of condemnation, if a national bank in Washington, subject to the supervision of the Comptroller of the Currency, should loan money "to the members of the families" of comptrollers or members of the families of Assistant Secretaries or examiners.

The Riggs National Bank gave him fully and completely the information he called for, with the result that he responded with a slurring reference to honorable gentlemen who had occupied the office of Assistant Secretary of the Treasury, which reference I will pass for the moment, as at this point I want to direct your attention to what the record now shows his real position to be as regards this widely heralded idea of public virtue. While Riggs Bank was getting this sort of treatment from Comptroller Williams, because in a few instances covering a decade of years there had been perfectly legitimate financial transactions between the bank and those who had held high public office, and, I think, in a few instances, members of the families of persons who happened to be Treasury officials, the Commercial National Bank was carrying and is still carrying large loans to John L. Williams & Sons, of Richmond, Va., a firm of which John Skelton Williams was formerly a member, a firm composed of members of the family of Comptroller Williams. And also the record now shows that the Munsey Trust Co., of Washington, a bank under the direct control of the Controller of the Currency, in the same manner as national banks in this city are under their official supervision, in 1916 carried a loan to this same John L. Williams & Sons, and also that the Munsey

Trust Co. has made a loan or loans to a "member of the family," namely a brother, of Comptroller Williams, that member of the comptroller's family being Mr. Lancaster Williams. John L. Williams & Sons are brokers and bankers of Richmond, Va. I do not know whether the banking facilities of Richmond, of the numerous State banks there and elsewhere which do not come under the supervision of the Federal Comptroller of the Currency, are or are not sufficient to carry the loans required by the members of the family of Comptroller Williams, who constitute the firm of John L. Williams & Sons.

I do not even know if there is any necessity for an explanation why these members of Comptroller Williams's family have to make loans of banks which are under the immediate supervision of Brother Skelton right here in Washington. I ascribe no impure motives to the transactions referred to. I have no doubt that the loans carried by these two Washington banks for the members of Comptroller Williams's family during the period Mr. Williams has been in office and has had these banks under his supervision were all properly collateraled. The one and only point I make is that while John Skelton Williams flayed the Riggs National Bank, wrote letters which indicated that loans were made by it to members of families of comptrollers of the currency, that was a thing for condemnation and censure, he seems to have been entirely complacent in the matter of loans by the Commercial National Bank and the Munsey Trust Co., both of Washington, D. C., to these members of his own family. Is it not fair that he be judged and condemned by his own pretended standard?

Mr. Trimble, in his letters of June 30 and July 8, 1919, to Comptroller Williams, which appear on pages 255-257 of the hearings here—which letters he who runs may read and see—were dictated by Comptroller Williams because you are now thoroughly familiar with the literary style of Mr. Williams's own favorite author, who is John Skelton Williams—on the subject of the John L. Williams & Sons' loans, says to the comptroller:

I have never discussed with you at any time the account with the Commercial National Bank of the firm of Mr. John L. Williams & Sons, in which firm before coming to Washington you were at one time interested, but with which I understand you have not been connected for more than six years past, and as far as my knowledge goes, you did not know that the firm had an account with the Commercial National Bank during any portion of the past five years, or that it has ever borrowed a dollar from them in this period.

From which quotation you will see that Mr. Williams did not address his inquiries for data regarding the loans made to comptrollers of the currency, and members of their families, to banks generally, but confined that line of inquiry to the Riggs Bank. Is it not clear that if Mr. Williams had evidenced half of the industry in directing inquiries to the other national banks that he evidenced in directing inquiries to the Riggs National Bank, this very obvious information that a firm composed of members of his family had an account with the Commercial National Bank during the past five years and for several years had loans made by this firm, would have been obtained?

It is inferrable from Mr. Trimble's statement that he never discussed with Comptroller Williams the loans which the Commercial National Bank made to the firm of Mr. John L. Williams & Sons,

and that Mr. Trimble never criticized those loans. Senators, having seen in this very room Mr. Williams and Mr. Trimble, can you imagine James Trimble criticizing to Brother Skelton any loans made by Washington banks to Brother Lancaster? Do you not know that Mr. Trimble would sooner enter a den of ferocious lions than to be guilty of any such conduct?

I have already referred to the fact that when in December, 1914, the Riggs Bank had transferred to Comptroller Williams the information he sought with respect to any loans which had been made at any time in 10 years to any of the Treasury officials mentioned, or to any person who within that time had been such a Treasury official, whether the loans were made prior or subsequent to the time when they held public office, the information brought forth from Mr. Williams a slurring reference to his predecessors in the office of the Assistant Secretary of the Treasury. Writing to the Riggs Bank on December 22, 1914, he said (p. 382 of the correspondence):

From your letter of December 9, it is noted that the money loaned by the Riggs National Bank to the Assistant Secretaries of the Treasury during the past 10 years was apparently limited to those Assistant Secretaries who were or had been in charge of the "fiscal bureaus," embracing the bureau having supervision over national banks; the other Assistant Secretaries, from your statement, do not appear to have been recipients of your favors.

It is interesting to note that among the honorable gentlemen he thus gratuitously slurred are found such names as Horace A. Taylor, Robert B. Armstrong (who, by the way, my recollection is, was Assistant Secretary in charge of customs matters), Charles H. Keep, Louis A. Coolidge, A. F. Statter, and others. Nowhere did Mr. Williams ever point out that the banking transactions which these gentlemen apparently naturally conducted in the city where they lived were not in every respect perfectly legitimate, and, following his bent of creating false impressions, he failed to mention the excess where the loans actually antedated or occurred subsequent to the times when the gentlemen mentioned held public office. On the subject the officers of the Riggs Bank, under date of December 24, 1914, replied to the above-quoted extract from Mr. Williams's December 22, 1914, letter as follows:

But as your letter of December 22 returns to the subject for a third time, and practically charges that we made loans to certain Assistant Secretaries of the Treasury because they were in charge of the "fiscal bureaus," and that we did not extend favors to other Assistant Secretaries, you would perhaps have a right to accept our further silence as an acquiescence in your imputation, and therefore we feel that we owe it to ourselves, as well as to the officers whose integrity is thus questioned, to analyze the loans made to the Assistant Secretaries of the Treasury as reported to you in our statement of December 9.

It appears from that statement that during the time covered by your inquiry we made loans to nine men who were or had been or became Assistant Secretaries of the Treasury. Of that number Messrs. Vanderlip, Alles, and Statter never borrowed a dollar from the bank until after their connection with the Treasury Department had been severed. The two loans to Mr. Howell, which that statement shows, were made more than six years after he had ceased to be an Assistant Secretary of the Treasury, and Mr. Coolidge obtained both of his loans before he became an Assistant Secretary of the Treasury. The first loan of \$500 to Mr. Coolidge was made January 15, 1906, and paid April 15, 1906, both the loan and the payment antedating his appointment as Assistant Secretary of the Treasury almost two years. The second loan of \$4,500 to Mr. Coolidge had been reduced by payments on account, and the balance due on it when Mr. Coolidge was appointed Assistant Secretary of the Treasury was \$1,028.12, which was continued by successive renewals and curtailments until finally paid in full.

It thus appears that the loans to five of the nine Assistant Secretaries of the Treasury were not made to them during their term of office, and certainly there can be no reasonable ground for supposing that those loans were made to them on account of their official position, because they held no official position when the loans were made.

Thus we reduce the number of assistant secretaries who obtained loans from this bank during their term of office to Armstrong, Keep, Taylor, and Edwards.

Mr. Armstrong obtained only one loan during his term of office, for \$1,000, which he afterwards paid in full.

Mr. Keep obtained but one loan, and while that loan was for the considerable sum of \$19,000, it is not necessary for us to tell anybody connected with the Treasury Department that Mr. Keep is a very rich man and entitled, at any well-conducted bank, to almost any loan for which he would apply. Mr. Keep is now chairman of the board of the Columbia Trust Co., New York. In addition to Mr. Keep's wealth and financial standing, his loan was well secured by collateral.

Mr. Taylor, to whom several loans were made, the principal ones being secured by collateral, was not only a gentleman of such character and standing as secured for him an appointment to the honorable office of Assistant Secretary of the Treasury, but he was likewise a man of fortune, and his credit was such as to have entitled him to even larger accommodations than those he received at our bank.

Mr. Edwards obtained several loans, all except two for small amounts, ranging from \$100.05 to \$750, and the two larger loans were amply secured by collateral. Mr. Edwards also appears in that list as an indorser of a note for \$33,000 made by his wife, and amply secured by collateral. While Mr. Edwards himself was not understood to be a man of much property and would not have been entitled to any considerable accommodation except upon ample security, his wife, Mrs. Margaret J. Edwards, possessed a good property, and that circumstance led us to consider Mr. Edwards perfectly safe for the small accommodations extended to him.

We have thus analyzed the list, and we submit to your sense of fairness that there is not the slightest reason to suppose that any loan embraced in it was made for other than legitimate and honorable business reasons.

Other loans: I have already informed you in part 2 of these hearings of the incomparable record of the Riggs Bank in the matter of the exceedingly few losses ever sustained by it on loans. I showed you that up to 1914, after a period of 18 years, in which it has carried millions of dollars in loans, during which for many years its loans averaged between \$6,000,000 and \$8,000,000, its total entire loss had been, in round figures, only \$40,000. Mr. Williams in his testimony returned to the subject of the James D. Richardson loan, about which I have testified. I have covered it sufficiently and refer to it again purely for rebuttal. Mr. Williams created the impression before this committee by his frequent reference to the character of the collateral upon which the Riggs Bank made loans, that these loans were largely, and I dare say that the impression was, that they were overwhelmingly collateralized by mining stocks. It was natural for you, Senators, to think that there was practically nothing in the Riggs Bank in the way of collateral except mining stock. Throughout the whole hearing you must have become impressed, and when I say you, I mean the entire committee, with the reiterated, the tirelessly reiterated claim, that the collateral behind the Riggs Bank loans was composed largely of speculative mining stocks. Yet the fact is, as known to Mr. Williams and is part of the official record data in his possession, that on June 30, 1914, the date of a response by the national banks to the call of Comptroller Williams, the total of loans in the Riggs National Bank was \$7,508,851.84.

Now, as showing that Mr. Williams had data as to the amount of mining stock collateral in the bank in 1914, by reference to Part 8, page 622, of the hearings before this committee, you will find that according to the tabulation made for Mr. Williams by the bank examiner, the value of all collateral which could possibly be classed as mining stock, amounted to the total \$289,000. Let me repeat the figures: The total loans in Riggs, \$7,508,851.84. Total of mining stock collateral, \$289,000. Of course, an analysis will show that an overwhelming percentage of that \$289,000 represented high-grade, standard, valuable mining stocks. But from these figures you will clearly see that while the impression has been created throughout the country, while the impression was deliberately intended to be created in the minds of this Senate committee, and be conveyed to Members of the United States Senate through this committee, that this bank was in a condition requiring a most vigorous action on the part of the comptroller, with loans hazardous by the fact that the collateral behind them was highly speculative mining stock, the mining-stock collateral in the bank amounted to \$289,000. If every dollar of the \$289,000 of the mining-stock collateral was written off, it would not have affected the stability of the Riggs Bank in the slightest; the unimpaired capital of the Riggs Bank at the time was \$1,000,000; its unimpaired surplus at that time was \$2,000,000; its undivided profits at that were approximately \$200,000; it was paying out in dividends to stockholders at that time, annually, \$260,000; without touching its surplus, its undivided profits, with a slight addition from one year's dividends, would have made up the \$289,000 which represented all the mining-stock collateral held by the bank.

So deep was the impression that the Riggs Bank collateral was practically all mining stock that when Mr. Williams was discussing the James D. Richardson loan, the following occurred—I refer to Part 8, page 621, of these hearings [reading]:

Senator KEYES. How was that secured—by these mining stocks?

Mr. WILLIAMS. By miscellaneous stocks, and securities of questionable value.

Here was a plain question asked by Senator Keyes at a time when Mr. Williams had in his personal possession data which would have enabled him to have replied truthfully to Senator Keyes. In this official national bank examiner's report, the photostat copy of which I have exhibited to you and now again exhibit, received in the office of the comptroller June 2, 1913, which bears on its face, as I have said before, evidence clearly showing that it has been noted in detail by Mr. Williams himself, this James D. Richardson loan is referred to, and right alongside of the place where reference is made I call your attention to the marks which I tell you were put there by John Skelton Williams [indicating], the collateral which Senator Keyes asked for information about is listed. I read:

\$173,003.71—James D. Richardson: Secured by 1,374 shares Capital Traction Co., worth \$164,860.

Not our appraisalment—the national bank examiner's appraisalment. [Continues reading:]

Secured by 22 shares Murfreesboro National Bank, Tenn., worth \$3,000. Secured by 16 shares Douglas Mining Co. Secured by 300 shares Howard Label Co. Secured by \$10,000 Florida Clay Co. bonds (5s, 1927). Secured by \$30,000 real estate notes John M. Jones.

When the James D. Richardson loan was first placed in the Riggs National Bank the collateral was ample and the margin represented by the market value of the collateral above the loan plentiful. In my previous testimony I told you who Mr. Richardson was and informed you that the shrinkage in the value of the collateral was what ultimately caused a loss on this loan. None of the stocks which Mr. Richardson placed with the bank as collateral for his loan were purchased by him through any officer of the Riggs Bank. You will observe that the first item of the collateral, about which Senator Keyes inquired, is 1,374 shares of Capital Traction stock, which for years sold in this market above par. It has always been one of the highest grade stocks in this or any community. There would have been no loss on that loan had not it been for the shrinkage of such stock throughout the country when it became popular to treat public utilities as stepchildren, and, Senators, Mr. Williams had in his possession the list of the stocks in the Richardson loan collateral, not only in this report of the bank examiner in 1913, but in sworn statements rendered to him in July, 1914, by the Riggs Bank officer, but when Senator Keyes asked him a plain question on that subject, what impression did he leave on the Senator's mind?

Senator NEWBERRY. I would like to ask, for the information of the committee, how much loss was there on that loan?

Mr. HOGAN. Eventually—the comptroller states it in this record as \$18,000. The right figures are \$27,000 odd. And I testified to that loss when here before. Mr. Richardson, you know, died several years ago (see pt. 2, p. 118, Senate hearings):

Mr. Richardson died in July, 1915. * * * and that loan * * * resulted ultimately in a loss of about \$28,000.

The Crocker Bank bond transaction: Now, there has been brought into this record since I was here before and page after page devoted to the subject, the Crocker National Bank's bond transaction, conducted in 1908 by Mr. Ailes. We were written the most scathing arraignment about the transaction by the comptroller, and you have been led to believe here that there must have been something that adversely affected the condition of the bank, and should be condemned. Every Senator on this committee is going to say, when the true facts are understood, that as regards that transaction Mr. Ailes deserves commendation and not condemnation. The facts were these:

In the fall of 1907, October and November, when this country was in the throes of the panic that we all remember, San Francisco was greatly in need of gold. Officials of the Crocker National Bank were very close personal friends of Mr. Milton E. Ailes. Mr. Ailes was at that time employed by both the Riggs National Bank at Washington and the National City Bank in New York, a fact known to Mr. Williams. Early in the panic one of the Crocker Bank officials wired to Mr. Ailes and asked his assistance in disposing of \$500,000 of 4 per cent Government bonds on such terms as would procure gold in San Francisco for the banks there, gold being essential at that place to meet the financial situation. The Riggs National Bank was not in a position to handle the matter. Mr. Ailes took up the question with the National City Bank, New York, and that bank purchased those bonds at the rate of 115, or 15 points above

par; the National City Bank arranged through the United States Treasury officials of the Subtreasury in New York and the Subtreasury in San Francisco for the delivery by the latter to the Crocker National Bank of a half million dollars in gold, and the \$75,000 represented by the 15 point premium on the price of the bonds was deposited to the credit of the Crocker National Bank in the National City Bank. The Riggs National Bank did not invest one dollar in the purchase of these bonds and did not incur one penny's liability on the transaction.

Later on, in the month of November, 1907, finding that the exigencies of the conditions in San Francisco required more gold, and acting not only for itself but for other San Francisco banks, the Crocker National Bank again telegraphed Mr. Ailes requesting him to endeavor to sell a million dollars of Government bonds at that time held by the Crocker Bank. Mr. Ailes again took the matter up with the National City Bank, New York. That bank bought, entirely for its own account, this \$1,000,000 of Government bonds, this time at 110, and arranging, in November, 1907, for the delivery at the Subtreasury of the United States in San Francisco to the Crocker National Bank of \$1,000,000 in gold, placing to the credit of that bank's account in the National City Bank, New York, the sum of \$100,000, representing the 10 points premium at which the National City Bank bought the \$1,000,000 of bonds. Both these transactions by which the bonds were purchased in October and November, 1907. In February, 1908, which you will note was several months after these transactions had been closed, some officer of the National City Bank informed Mr. Ailes, he being an employee of that bank, and was frequently there, that the bonds thus purchased by his bank were being disposed of at a very considerable profit, and that the prospective profit on the entire million and a half of bonds was over \$100,000. Mr. Ailes then requested the officers of the National City Bank to permit the Riggs National Bank to share in that profit. The officers of the National City Bank offered Mr. Ailes a commission of one-eighth of 1 per cent for having negotiated the sale of the bonds to it. You will bear in mind that the Riggs Bank had not bought the bonds, or any of them, and had no intention of purchasing the bonds at the time they were purchased. The Riggs Bank had no ownership in the bonds which it could sell.

The Riggs Bank had not become liable for a single dollar in the transaction. After a considerable number of conferences in January, 1908, when the profitable disposition of the bonds which the National City Bank had purchased the previous fall was made, Mr. Ailes finally succeeded in inducing the National City Bank to agree to divide equally with the Riggs National Bank the profit it was making on the sale of these bonds. The profit turned out to be, in round figures, about \$112,000. One-half of that sum, \$56,000, was remitted in several installments by the National City Bank to the Riggs National Bank. The question arose as to how to handle that money at Riggs. You will see that the Riggs Bank had not bought any bonds and not spent a dollar, had not obligated itself to spend a dollar in the transaction, and had, therefore, of course, no record on its books showing its purchase of, or its ownership or sale of, any of these bonds. An entry showing the receipt of \$56,000

as a profit on the sale of bonds which it had not owned could not very well have been made. The share of the profit of the transaction which the National City Bank thus so generously allotted to the Riggs Bank could not be entered by the latter as commission, because we had been told that it was ultra vires of a national bank to deal in stocks and bonds on a commission. Mr. Ailes and Mr. Glover and Mr. Flather discussed the matter of handling the matter, and as a result of that discussion the remittances as received from the National City Bank were placed to the credit of the Glover and Flather account, about which you have heard so much, in February and March, 1908, and on April 1, 1908, when the then current quarter had ended—six years before Mr. Williams became Comptroller of the Currency—that sum of \$56,000 was transferred from the Glover and Flather account, turned over to the Riggs National Bank, and credited to the profit and loss account of that bank.

The result of this whole transaction was the receipt by the bank of \$56,000 from Mr. Ailes's activities in connection with a matter that the Riggs National Bank had not expended a dollar nor become liable for one cent in. I repeat, those interested in the Riggs National Bank ought to commend Mr. Ailes. When the National City Bank consented to divide its profit on the sales of the bonds it had purchased from the Crocker National Bank in the manner I have endeavored to narrate, it was decided to call the transaction a "joint account." At the time the profit was assured and no loss was possible. All these facts were long ago made plain to Comptroller Williams. And yet, with knowledge of the true facts, he has used the correspondence containing the expression "joint account" to mislead and not to inform this committee, in the record; and in the screed of his dated August 12, 1919, Mr. Williams refers to this Crocker Bank transaction, and you find him in part 9 of the record here as well as in his August 12, 1919, letter, charging that the officers of the bank had deceived their own lawyer, Senator Bailey, regarding the facts, and saying that had the course been adopted which Senator Bailey had stated would have been upheld "in any court of conscience or law," it would have been a "case of embezzlement." (Pt. 9, p. 683.)

Mr. Ailes, who is a gentleman of scrupulous honor, on August 14, 1919, wrote to Mr. A. F. Thompson, who, at the time of the Crocker bond transaction, was in charge of the bond department of the National City Bank, and asked Mr. Thompson for his version of this matter, saying that all he (Ailes) desired was the truth, and nothing more, and, of course, nothing less. In view of the comptroller's statements, I present for the record the letter from Mr. Ailes to Mr. Thompson and the latter's reply:

AUGUST 14, 1919.

Personal.

MR. A. F. THOMPSON,

*Government Bond Department, the National City Co.,
55 Wall Street, New York City, N. Y.*

DEAR TOMMIE: I can not find the memorandum you gave me regarding the Crocker bond deal and would like to have it very much. Comptroller Williams has devoted hours to an attempt, before the Senate Banking and Currency Committee, to discredit this transaction. His allegations are that the Riggs National Bank was interested in and had a joint account with the National

City Bank of New York, whereas in my sworn testimony before a bank examiner during the Riggs controversy I had sworn that the Riggs National Bank had never invested a dollar in the business nor incurred any liability. If you will recall, this business started in the panic of 1907. A part of the transaction was late in October, as I recall it, and a part early in November of that year. Along in February, 1908, you had sold something over half a million of the \$1,500,000 long 4s. These bonds had been purchased by the National City Bank, \$500,000 at 115 and \$1,000,000 at 110. You had put them in your circulation account, and you paid the Crocker bank for them in gold through transfer from the Subtreasury at New York and the Subtreasury at San Francisco up to the par of the bonds. The premium—15 points in one case, or \$75,000, and 10 points in the other case, or \$100,000—you had accounted for the Crocker bank by a credit on the books of the National City Bank, New York, having suspended cash payments.

After you had sold more than one-third of these bonds, in February, 1908, I came over to New York to see if you would not divide the profit in the transaction with the Riggs National Bank, inasmuch as the business had its inception with me. You insisted on allowing the Riggs National Bank, in response to my appeal, a commission of one-eighth of 1 per cent, but I insisted upon an equal division, and Mr. Vanderlip finally sustained my contention in the matter, with the result that letters were passed between the National City Bank and the Riggs National Bank establishing a joint account in which we engaged to assume liability in the event of loss, as well as to share the profit if there was a profit. This was the only piece of banking machinery that could be employed for the purpose of effecting a division of the profits; but in the beginning of the business, as you know, there was no such understanding—that is, in October or November, 1907.

Mr. McEldowney, after you had concluded to divide profits between the National City Bank and the Riggs National Bank, called attention to the fact that in the spring of 1907 I had turned over to you \$150,000 long 4s acquired from the Crocker Bank at about 129 and which you still had in your circulation account. McEldowney insisted that inasmuch as I wanted to share equally in the profit on the larger transaction I should permit you to include in the joint account established in February, 1908, the \$150,000 purchased in the spring of 1907 on which there was a loss of about 10 points. I assented to this, and therefore this amount was included in the joint-account transaction.

All these facts I have told over and over again under oath, and yet the comptroller keeps on harping on the subject as if there were something crooked in it, and he uses the letters which the bank examiner took from the National City Bank and those which were obtained from the Riggs Bank as evidential things to prove that I falsified under oath when I stated that the Riggs National Bank did not invest in the business and did not incur any liability therein. In other words, he has taken advantage of a technicality, since when under oath I had in mind, of course, that the profits were assured beyond any question whatever, as indeed they were.

You wrote me a memorandum two or three years ago in which you substantiated my version of the matter. It was not used at the time and I can not find it now. If you do not have a copy of it in your possession, will you be willing to write me just what your understanding of the matter was? You will understand, of course, that it is the purpose of counsel to use such memorandum in substantiation of my sworn statements. It seems that it is only just to do this. All I want is the truth, and nothing more, and, of course, nothing less.

With cordial regards, very truly yours,

M. E. AILES.

And Mr. Thompson, from the National City Co., on August 16, 1919, writes a letter in which he confirms the transaction being precisely as I have recited it to you here.

(The letter from Mr. Thompson follows:)

AUGUST 16, 1919.

Mr. M. E. AILES,

Vice President the Riggs National Bank,

Washington, D. C.

DEAR MR. AILES: I have your favor of August 14, referring to the transaction in \$1,500,000 United States registered 4s, which I consummated on behalf of the National City Bank with the Crocker National Bank, of San

Francisco, through the Riggs National Bank, during the latter part of 1907. In reply, I wish to say that the statements outlined in your communications just referred to are correct, and I wish to confirm them in all respects. We purchased the bonds in question, \$500,000 at 115 and \$1,000,000 at 110, paying for them in gold and thereafter depositing them with the Treasury Department to secure the circulating notes of the National City Bank of New York. After the currency panic was over and in the early part of 1908, we retired our circulation by a like amount and sold the bonds referred to. After a large part of the bonds had been sold you made a demand on the National City Bank for one-half of the profits just derived, to which arrangement I made strenuous objection, for the reason that I never considered the transaction as a joint one between the National City Bank and the Riggs National Bank; in fact, I thought a commission of one-eighth of 1 per cent to the Riggs was sufficient to pay that institution for its services in the matter. After several conferences, however, between Mr. Vanderlip, Mr. McElDowney, yourself, and myself, it was finally agreed to allow you one-half of the profits, taking into account, however, a loss which had been sustained on \$150,000 additional 4s purchased from the Crocker National Bank at a much higher price and at a previous date.

Trusting this is the information you desire, I am,

Very truly, yours,

A. F. THOMPSON,

Manager Government Bond Department.

In Part IX of the hearings here, pages 682 and 683, you will find that Senator Fletcher asked questions on this subject, and you will find, in view of the facts, now narrated, how perfectly Senator Fletcher, even in his endeavor to help Mr. Williams, was misled by the comptroller.

I call your attention to the fact that the Riggs National Bank got that \$56,000 through the bookkeeping channels I have described to you, on April 1, 1908; that the transaction was an absolutely closed one then; that never again had it any effect at all on the bank or its condition; that the only effect it ever had on the bank was to give it an increase in its assets of \$56,000; that nearly six years elapsed between the final closing of that Crocker bond transaction to the profit of Riggs and the coming into office of comptroller of Mr. Williams; and yet, in public, in court, in correspondence, in his affidavit, and in his testimony here, Mr. Williams has repeatedly misrepresented the whole thing.

Government deposits: Senators, Mr. Ailes is a particularly constant target of Mr. Williams's attacks. It was Mr. Ailes, you know, who went on the board of the Seaboard Air Line contemporaneously with the retirement from that board of Mr. Williams and some of his friends.

When the Riggs Bank brought this equity suit, there was no place where anything about that bank or its officers could be found, which was open to Mr. Williams, that he did not search for material to distort into a defense of his persecution of the bank. So search was made through Treasury records as far back as April, 1903, and there it was found that the Riggs National Bank in that year had a deposit of Government funds which totaled \$3,000,000. Mr. Williams, telling you that he did this for the purpose of showing you the character of "this individual," as he refers to Mr. Ailes, goes back to 1903, and informs this committee that five days before Mr. Ailes retired from the Treasury and became a vice president of the Riggs Bank he succeeded in getting out of the United States Treasury \$3,000,000 and transferring it to the Riggs National Bank, and

Mr. Williams solemnly says that he will not comment on the favoritism thereby displayed. Just very briefly I want to tell you who "this individual" whose "character" Mr. Williams would have you know really is: During President Cleveland's administration Milton Ailes was appointed an assistant messenger of the Treasury Department. The position at that time was nothing more or less than that of a sort of laborer. His work was this: In the summer time to clean out the water coolers and see that they were kept iced for the Secretary and the Assistant Secretary; in the wintertime—in those days coal was dumped at the curbstone on Pennsylvania Avenue in front of the Treasury and the offices of the Secretary and the Assistant Secretaries were kept warm by open fireplaces—and Milton Ailes' work in the wintertime was to go out to the curbstone and bring in baskets of coal, and make up and keep warm the fires in the office of the Secretary of the Treasury. He did that work so well that he was made a messenger. He was such a good messenger that he was made a clerk. He was such a good clerk that he was made a private secretary, and he became private secretary to the Secretary of the Treasury. He was such a perfectly splendid private secretary that the lamented McKinley appointed him Assistant Secretary of the Treasury. And before he left the Government service he was the First Assistant Secretary of the Treasury.

In 1903 Milton Ailes was the second highest officer in the department which, years before, he had entered as an assistant messenger. And he resigned, Senators, penniless. One of the first things he did after resigning was to get from a friend a small loan to tide him over until he could get on his feet. Since he has become one of the best known, one of the most useful, and one of the highly respected citizens of the National Capital.

That is the story of the man whose character is assailed, and not only here, but has been assailed for five years by John Skelton Williams, Comptroller of the Currency.

Prior to 1903 there were very few Government depositories in the District of Columbia. For a time only one national bank had been thus designated, and then for years there were only two. In 1903 Secretary of the Treasury Leslie M. Shaw designated a third, the Riggs. Later on the same Secretary designated, I think, every national bank in the District of Columbia as Government depositories, the purpose being to give a fair distribution and not have Government deposits in a few banks, as had been the case not only here, but throughout the country. The National City Bank of New York had very large Government deposits when Mr. Shaw came in office, and that had come about in this way: In 1898, when we went to war with Spain, the first war loan was \$200,000,000. It is surprising, Senators, in view of recent events, that there was then a fear that we could not float that loan nor raise that much money, and so three banks in New York, the National City being one, underwrote that loan for the United States Government, entering into an agreement with the Government whereby the Secretary of the Treasury was assured that on the day subscriptions closed an announcement should be made that all of the bonds had been taken, irrespective of whether the popular subscription turned out favorably. This, it will readily be seen, was a tremendous help to our Government at that time.

My recollection is that, to the credit of our country, it turned out that the loan was actually subscribed seven times over. Because of that assistance, the National City Bank received from the Government in 1898 and succeeding years very large deposits. Then, later on, the Pacific railroads commenced to pay back to the Government the money which it had advanced to them at the time of their building and the National City Bank acted for the Government in the receipt of those funds, so that there was a time when the National City Bank had many millions of Government deposits. While Secretary Shaw was in office he adopted the policy of distributing those funds to other national banks in various parts of the country, a perfectly proper and highly commendable policy. In April, 1903, \$2,900,000 of the amount which was then on deposit with the National City Bank of New York was transferred by order of the Treasury Department to the Riggs National Bank in Washington.

Now, listen to this: I read from page 542, part 7, of the hearings before this committee:

Mr. WILLIAMS. The point is not so much what they did with that money as it was Mr. Ailes getting that money out of the Federal Treasury for the Riggs Bank five days before he resigned to become vice president of that bank.

Why, Senators, Mr. Williams's official records show that not a single solitary dollar of that money was taken out of the Federal Treasury at that time. It was in the National City Bank, of New York, by which Mr. Ailes was also going to be employed; and, pursuant to his policy of reducing his deposits there, Secretary Shaw, some time before the date of the transfer, had given directions for the routine to be gone through whereby this \$2,900,000 should be taken from the National City Bank, New York, and deposited in the Riggs National Bank, Washington; and yet you were led to believe by the precise and explicit words of Comptroller Williams that Mr. Ailes had, in effect, reached into the Treasury and taken this money which was in the Treasury in order to favor the Riggs Bank, and the comptroller thus misleads you when the tabulated figures on the table in this committee room before him at that very time showed clearly the transaction. He thus misled you when he knew the real truth of the transaction. The Treasury Department records show that Mr. Ailes, being acting secretary on the day of the transaction, signed the paper directing the transfer, but that it was prepared in due routine by a gentleman whose initials are "E. P. D." The records of the Treasury Department, known to Mr. Williams, showed that this \$2,900,000 was transferred from funds to the Treasury's credit in the National City Bank to a like credit in the Riggs National Bank. By turning to part 8, pages 543 and 544, of the hearings before this committee, we find tabulated statements of Treasury Department records, produced here by Mr. Williams himself, which show that on April 11, 1903, the total Government deposit with Riggs was \$3,000,000, an increase of exactly \$2,900,000 over the amount of those deposits in Riggs immediately preceding that date, and that simultaneously (see table, p. 544, this record) there was a decrease in Government deposits with the National City Bank of exactly \$2,900,000. That is the Treasury Department's official statement. When Mr. Williams said to this committee that Mr. Ailes got "that

money out of the Federal Treasury for the Riggs Bank" he knew that that was a mere transfer ordered by the Treasury Department of a deposit from the National City Bank to the Riggs. I do not want to pay any further attention to that thing, except to tell you again that it was all part of the public record and there could have been no possible excuse for mistake about it.

Comptroller Williams, on page 606, part 8, of these hearings, makes a statement which he repeats in his August 12, 1919, communication to the chairman, wherein he quotes his own testimony before this committee to the effect that Mr. Ailes had obtained from the comptroller's office, in some manner which he says he is not aware of, confidential documents. He informs you, in substance, that having ascertained this fact by an examination of some papers in the National City Bank, New York, he addressed to Mr. Ailes a letter, dated October 9, 1915, which letter he has inserted in the record and again inserts on page 21 of his August 12, 1919, communication. An examination of his letter shows that it is characteristic. Let me first state the facts about these documents of a confidential character to which the comptroller refers and then show you that the comptroller was fully informed how they had been obtained through a perfectly proper source as a result of the action of the highest officer in the comptroller's department information which he saw fit not to disclose to you. The facts are that the Comptroller of the Currency some time back, about 1909, had prepared and published a pamphlet entitled "Defalcations and Methods of Concealment;" that office had also prepared a book entitled "Instructions to National Bank Examiners," which had been printed in 1904. The public press had stated that the comptroller's office had gotten up a very instructive document on defalcations in national banks, and the methods of concealment which were proposed. The National City Bank, in New York, entirely for educational use in connection with a revision of methods in that big institution, desired permission to use these documents. The documents were confidential, in the sense, of course, that they were not for general public distribution.

Certainly the comptroller's office was glad to have responsible officers of the national banks obtain the benefit of the information in this publication, so that guided thereby they could progressively improve bank methods and keep banks strong. This was apparently the policy of comptrollers who held that office prior to 1914. In the year 1909 Mr. Ailes, at the request of Mr. Gregory, of the National City Bank, requested Comptroller of the Currency Murray to let the National City Bank have for its educational work among its large force of people, and for another purpose, a copy of the documents I have referred to, and Comptroller Murray very gladly and properly granted this request. Mr. Ailes made known to the National City Bank that the documents should be treated as of a confidential character. On October 9, 1915, Comptroller Williams wrote to Mr. Ailes stating that "the records show that some time ago" he had written to the National City Bank on the subject of these documents. The impression Mr. Williams created was, of course, that the matter was then of recent date instead of six years old. Promptly Mr. Ailes answered the comp-

troller, who now says he does not find Mr. Ailes's reply in the files. Well, here is a copy of it:

OCTOBER 12, 1915.

COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: Replying to your letter of the 9th instant, I find no reference in my correspondence with an officer or officers of the National City Bank of New York to either of the two pamphlets mentioned in your communication; but I recall that several years ago, I think about 1909, Mr. Gregory, then an assistant cashier of the National City Bank of New York, advised me that he had seen in the public press mention of a pamphlet entitled "Defalcations and Methods of Concealment," published by the Comptroller of the Currency, and asked me to obtain a copy of the same for his use in connection with a revision of the auditing system of the National City Bank of New York and in devising methods for the better protection of that bank.

My recollection is that Hon. Lawrence O. Murray, then Comptroller of the Currency, gave me the pamphlet "Defalcations and Methods of Concealment," and that I forwarded it to Mr. Gregory. I have no recollection of the other publication, namely, "Instructions to Examiners"; but I know your office has permitted it to be used outside of your office for educational purposes.

I recognize that these publications were "confidential" in the sense that they were not to be distributed or disseminated generally, but it has always been my understanding that the comptroller's office never objected to their confidential use for educational purposes or to assist bank officers in improving methods for the protection of their banks.

Neither of the publications, after careful search, appears to be in my files, and Mr. Gregory has already advised you that he can not locate them. I think the probabilities are that whatever pamphlets were obtained were returned to the comptroller's office when they had served the purpose for which they were procured.

Respectfully,

MILTON E. AILES.

It is difficult to understand how Comptroller Williams had forgotten the reply made by Mr. Ailes in view of the fact that upon the receipt of that reply Mr. Williams wrote to former Comptroller Lawrence O. Murray, on this subject, and Mr. Murray returned to Mr. Williams the latter's letter with an indorsement to the effect that the statement made by Mr. Milton E. Ailes regarding his having obtained these documents for the use of the National City Bank from Comptroller Murray were absolutely correct—or words to substantially that effect.

It has been always the policy of the Comptroller's office to treat "The Instructions to National Bank Examiners" as confidential in the sense that they are not for general distribution, but to permit their use for educational purposes among bankers. To such an extent is this true that I here exhibit to you photographic copy of the cover and the title page and the page immediately following the title page, of the book containing these instructions, printed in 1904, on the last mentioned of which pages I show you, in the handwriting of Deputy Comptroller Kane himself, the words "For confidential use of Mr. Mosher." Mr. Mosher was an official of the American Institute of Banking, an association subsidiary to the American Bankers' Association, composed of clerks and young bank officers. It is part of this association's plan to conduct educational courses in banking, and there is used in that connection these books of "Instructions to National Bank Examiners," to which the comptroller refers. When Mr. Mosher, whose name appears in Deputy Comptroller Kane's handwriting on this exhibit that I present to you, retired from the work of conducting the educational course I have mentioned, his successor received this "confidential" document, and when, in 1915,

Mr. Williams sought to raise this issue with Mr. Ailes, the latter was prompted to make these photographs of the cover and title page of this book of instructions.

The CHAIRMAN. Before you leave the Riggs—

Mr. HOGAN. I have not left it.

The CHAIRMAN. Oh, you have not?

Mr. HOGAN. No; only Mr. Ailes.

The CHAIRMAN. Oh, I thought you had. Well, inasmuch as I have interrupted you, I would like to call your attention to one matter which was made much of by Mr. Williams in his reply, and it referred to some dummy loans that were made by the Riggs bank, the money being raised for the benefit of the officers of the bank. Will you reply to that incident? I did not know but that you were leaving the subject of the Riggs Bank.

Mr. HOGAN. I will be very glad right now to reply to it, and to give you illustration of what he terms our "dummy loans," and while I am speaking from memory I am sure I can illustrate them thoroughly.

First, there is \$86,500 borrowed in connection with the Navy annex loan, which I have already described, for which Mr. Glover deposited \$115,000 of his personal collateral, and Mr. Nevius made the note, Mr. Glover having directed him to take his collateral, the details of the matter, of course, not being attended to by Mr. Glover. The loan was made, various real estate notes were taken, not by the bank at all, but purchased with the proceeds of that loan.

Subsequently persons who seek investments from Mr. Glover purchased those real estate notes, and the \$86,500 note was fully paid off, and the \$115,000 collateral which had secured it was returned to Mr. Glover. Of course, that loan was on the faith of the collateral altogether.

Second, there is a Henry H. Flather loan referred to as a dummy loan. Mr. Flather's wife was a victim of tuberculosis. He had her at Sarnac in the hope that her life might be saved. Apparently the effort was a hopeless one, and he decided, prior to her death, to go to Sarnac and stay with the little woman, the mother of his only child, until the end had come. He had a relative named Nevius here. Mr. Flather took up his then outstanding note, turned over his collateral to Mr. Nevius and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly collateralized with plenty of margin. The purpose of this obviously was that in Mr. Flather's indefinite absence his business matters could be readily handled for him by Mr. Nevius. The bank loaned the money on the face of the collateral which belonged to Mr. Flather.

Third, is the George H. Felt note, made for the accommodation of Mr. William J. Flather, the amount of the loan being \$17,500, secured by 120 shares of Mergenthaler Linotype stock, worth on the day of the loan \$224 a share, or \$26,880. Mr. William J. Flather frankly told the comptroller that in this transaction the proceeds of the collateral were his, that it was simply an accommodation because he did not like to carry a larger line of loans than he was already carrying, although there was never a time when he was anywhere near the limit that the bank was allowed by the law to loan. The Riggs National Bank could have at that time loaned to any one individual, upon

properly secured paper, \$300,000, and Mr. William J. Flather's loans totaled, as I remember them, around \$60,000.

Those are illustrations of what Mr. Williams calls the "dummy loans."

The CHAIRMAN. There was no claim made of any loss, but two or three of those loans were mentioned as being unwarranted and somewhat suspicious.

Mr. HOGAN. I have given all the facts. First, there was no loss on any. Second, there was never any claim that there was ever any loss on any. Third, every one of them were thoroughly collateralized. Fourth, before Mr. Williams passed his strictures on what he calls "these dummy loans," every one of them had been paid in full and none of them were in the bank at the time of this correspondence, or had been in the bank for a long time previous to his letter of January 22, 1915, on that subject.

Senator NEWBERRY. One of the bank clerks has testified that that had been carried on for a considerable number of years.

Mr. HOGAN. Yes; that is true, as I told you Senator, and I am sure you will recall it, Mr. Glover has a large clientele who seek conservative investments. He has habitually recommended notes secured by first mortgages on improved real estate; for about half a century not a dollar in principal or interest has been lost to the client taking such investments on Mr. Glover's advice; quite frequently he would use his own collateral, as was done in the \$86,500 instance, and use the proceeds of the loan thus collateralized to take on, in his own account, a high-class real estate loan for the ultimate investment of the clientele referred to. Now, what the clerk you have in mind testified to was the making of such a note by the clerk in some such cases. To illustrate, Mr. Glover would say to the clerk, "There is a \$50,000 loan here on a building worth \$100,000, and the Corcoran Art Gallery or the American University, we will say, will shortly be in funds for such an investment, so I will make the real estate loan myself and for the purpose borrow the funds personally," and he would have Mr. Nevius or someone attend to the details, but in he would have Mr. Nevius or someone attend to the details, but in such a case the note was made, not on the faith of my clerk, but on the faith of the collateral mentioned; and in the \$86,500 instance the market value of the collateral was \$115,000, and it consisted of Mr. Glover's very high-grade collateral, and, furthermore, at that time, there was in the vault of the Riggs National Bank, belonging to Mr. Glover, securities having a market value of \$2,000,000.

Senator NEWBERRY. The practice is not one that you would recommend?

Mr. HOGAN. No.

Senator NEWBERRY. Neither would I.

Mr. HOGAN. Neither would I. I never have, but what I have told you the bank officers frankly told the comptroller; the loans referred to had been paid and were out of the bank when Mr. Williams was making his attacks on the institution; and it will be remembered that early in 1914, at the very beginning of the controversy, the Riggs directors wrote Mr. Williams, in effect, "We want to know from you any practice that you say should be stopped, and any reasonable request you make, any legal action you ask us to take, we will take it."

That is the whole story. Of course the term "dummy loan" has a sinister meaning in popular parlance, and there never was the use of dummies in that sense of the word in any of these transactions. There never was a dollar lost and there never was a loan that was not thoroughly collateralized by high-grade collateral. It was not a practice of any great running, but it was a thing that from time to time in the peculiar instances I have narrated would happen; and I say again to you, Senators, it is a thing I would not recommend, and when called to the attention of the officers it was a thing not persisted in.

Mr. Williams has testified before this committee that his letter of January 22, 1915, calling for information regarding the loans to officers of the bank was not replied to. It was for the alleged failure to give him the information sought by his communication of January 22, 1915, you will doubtless remember, which caused him to attempt to impose the penalty of \$5,000 upon the bank on March 30, 1915. I insert here the reply of the officers of the bank made on February 1, 1915, to the comptroller's January 22, 1915, letter:

FEBRUARY 1, 1915.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have received your letter of the 22d ultimo, in which you say that in view of conditions in this bank brought to light by the national bank examiners, etc., you request that we prepare and deliver to your office within 10 days, under penalties provided in sections 5211 and 5213, R. S., a statement showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Alles, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect, or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral, by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Alles, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured; also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case."

Replying to your first request we beg to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank to any of the officers named by you. We beg to say further that for more than 10 years past no one of the officers of this bank named by you has ever borrowed one dollar from it except upon ample security, and all loans to them have been fully paid.

The only loan to any member of the respective families of the officers named by you is one to Mrs. Emma A. Flather, wife of William J. Flather, as follows: \$4,506.25, dated April 3, 1914, secured by 50 shares Baltimore & Ohio Railroad stock, 12 shares United States Steel, preferred, \$500 Metropolitan Club 4½ per cent bonds, \$500 Metropolitan Club 4½ per cent bonds (the latter having been added December 24, 1914), and 12 shares Firemen's Insurance Co. stock, added October 26, 1914, the collateral at this time having a market value of \$5,890.

This loan was made to Mrs. Flather upon her own collateral and for her sole benefit.

Replying to your second request, we beg to say that this bank has never made any "dummy" or "concealed" loans to any of the officers named; and we beg further to say that there was not, when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank made for the benefit of either of the officers you name, or indorsed by any of them, or for which they furnished the whole or any portion of the collateral, or of which they received the whole or any portion of the proceeds.

As the statement which you request would require an examination of all the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call for a special report, we decline to furnish it. And moreover, if the information you seem to desire is at all material to the duties of your office, it can doubtless be furnished to you by your examiner, because during the recent examination of this bank by him and his assistants, extending from the 13th of November, 1914, to the 16th of January, 1915, they spent days going over our discount ledgers from the organization of the bank, and an inspection of those ledgers shows that the accounts of C. C. Glover, W. J. Flather, H. H. Flather, and M. E. Alles were double checked. It is therefore certain that even if those accounts were not literally transcribed, they were, at least, thoroughly examined; and if they were not, our books are subject to your examiner's call at any time, and we will gladly submit them to him.

Inasmuch as we have stated that there are no loans, direct or indirect, in this bank to any of its officers named by you, and no loans for which they furnished the collateral, or of which they received the proceeds, and that none of the officers named by you has borrowed, during the past 10 years, one dollar from this bank without ample security, and that all loans made to them have been fully paid, we comply with so much of your letter as requires this answer to be made under the oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, and Joshua Evans, jr.

The law under which the comptroller pretended to proceed in the correspondence, in which that last quoted letter is but one, provided in very plain terms that the comptroller has the right to call on national banks for special reports when necessary to give him a complete knowledge respecting the "condition" of the bank.

That is the statute, and the only thing that he was not given when that letter of February 1, 1915, now here set out in full, was written to him was that we did not go back 18 years to dig out of the records closed transactions which did not reflect at all upon the condition of the bank, and could not possibly relate to it, and for the failure to do that he attempted to assess a penalty of \$5,000 against the bank. On this subject of whether or not such inquiries are within the power of the comptroller under a statute authorizing him to obtain special reports relating to the "condition" of the bank, I do not care what judge says in nisi prius opinion on a preliminary motion that the comptroller was acting within his legal power when he sent that sort of a letter, I say that the place to have that decided, because it is a serious question, involving the rights of all banks, was the Supreme Court of the United States; and we were on our way there, but as Mr. Untermeyer has told you, and as Mr. Williams has told you, any bank that goes to a court for a legal investigation of Mr. Williams's power, when there is a difference of opinion between the bank and the comptroller, must forfeit its charter. The going into the courts of the land, in the view of the present comptroller, constitutes a defiance of the comptroller. He brooks no judicial construction of his power. There being no other supervisory power but the court,

the banks and this committee and Congress are on notice from the present comptroller that if a national bank seeks a court construction of any power he asserts the death penalty will be inflicted by the denial of its charter renewal if the charter expires while the court proceedings are pending.

No matter how arbitrary this comptroller may be in his demands, no matter how ruinous may be the penalties he threatens to impose, no appeal can be made to the courts constitutionally provided to determine the extent of and the limitations on the powers of executive officers, because if a bank goes to court it will be denied its continued existence as a national bank when next it applies to Comptroller Williams for charter renewal. He has made that position plain. You have no escape from that. That is his position. What is the United States Senate going to do about it, this citizen respectfully asks.

Failure to examine banks: I recall the attention of this committee to the failure of the comptroller to comply with the mandate of the law regarding bank examinations. The Congress of the United States, although this does not seem to be admitted nowadays in all circles, is still the law-making power of this Government. When the Congress passes a very plain and mandatory provision of law, it is not within the province of an executive officer to say whether it should be followed. The national bank act, as amended by the act of 1913, passed by the House and Senate, says this:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year, and oftener if necessary. (Section 5240, R. S. U. S., as amended Dec. 23, 1913.)

The words "shall be" and the words "at least twice in each calendar year" were put in that statutory enactment by the Congress.

The comptroller's official records show that no national bank in the city of Washington, Riggs excepted, was examined more than once in the entire calendar year 1915; that a number of them were not examined more than once in the year 1914; that out of 14 national banks 50 per cent of them were examined only once in 1916—three years after the law was passed.

Mr. Williams called attention here yesterday to the fact that I had stated that the Federal National Bank in this city had been examined only once in 1916, whereas it had, in fact, been examined twice. I did make that mistake, but what I stated was, of course, on information and belief with regard to that—the chairman of this committee inquired of Mr. Poole, the president of that bank, when he was here regarding this subject, and in part 3, on page 189, the following is found:

MR. POOLE. We had one examination in 1913. We had one examination in 1914. We had one examination in 1915. We had one examination in 1917.

So I should have stated that the bank had only one examination in 1917, whereas I stated that it had only one in 1916, an error merely as to the year in which the law was violated, which year Mr. Poole corrected. The fact is that even as late as 1917 the Federal National Bank had only one examination, and in 1916, 50 per cent of the banks in this district, Riggs always excepted, were not examined as required by the plainest mandatory provisions of law.

The CHAIRMAN. I understood you to say in your original statement to the committee that some of the national banks in Washington were not examined at all?

Mr. HOGAN. No, sir; I said not examined as required by law. A reference to pages 114, 115, and 144 of part 2 of the hearings here will show what I said on that subject, and from the context it is quite clear that the charge I made was that the banks had not received in those years the examinations required by law. Removed from its context one line of my statement on page 115 would give the impression just stated in your question.

The comptroller, responding to the charge I made on this subject, has been compelled to admit his failure to comply with the law, but he gives, apparently as a reason why he did not comply, the excuse that the law was not passed until December, 1913. The comptroller states, however, that prior to the time the law expressly required at least two examinations a year, that as a general rule it was the custom to examine each bank twice each year. Within a few minutes after he had made that statement here before this committee he informed you that it had not been possible to organize the national banking forces so as to instantly and immediately comply with the requirements of the law that I have quoted, and he gives that apparently as an excuse for violating the law for more than three years. Well, if it had been the general rule to examine banks twice a year prior to the enactment of the law requiring that they be examined twice a year, what was the difficulty in continuing that general rule when the law made it mandatory? If the reason the law has not been complied with has been, as Mr. Williams would have you believe, his inability to organize his forces in a period of three years to obey a law passed in 1913, then I submit that you do not want any better demonstration of his incompetency in office. If that is not the reason why he failed to carry out the mandate of the law to examine the banks in this district, if there is some other reason, then is not his misrepresentation of the facts to you a demonstration of his unfitness for office? And, lastly, if his failure to comply with the law was—as it undoubtedly was—the almost constant use of his entire national bank examining forces in the persecution of the Riggs Bank, then is not that a demonstration of his unfitness for office?

So, if what he says is true, that in more than three years he could not organize his office so as to obey the law, I repeat, it necessarily follows as an unescapable conclusion, that he is incompetent for the office of comptroller.

Senator NEWBERRY. Is it possible the examinations given the national banks now are much more complete and require so much more time and more examiners for the work?

Mr. HOGAN. Why, no, Senator; my answer to that is twofold, however. When I called your attention—and I want to call your attention again—to these words of the law, which say that the examiners "shall" examine every bank "at least twice in each calendar year," and provides that they shall be examined oftener if necessary—that there may be four, but never less than two yearly examinations—now, it does not make the slightest bit of difference how

much time that examination takes, the law says plainly what must be done.

The CHAIRMAN. I know, Mr. Hogan, but it might be possible that he might not have an examining force that could possibly do it.

Mr. HOGAN. In three years?

The CHAIRMAN. Possibly there might have been some trouble with the appropriation, getting the money, and the men to do it.

Mr. HOGAN. There was not, Senator, any trouble with the appropriations for national-bank examiners.

Senator NEWBERRY. Did you ever hear of a national bank complaining of the infrequency of the comptroller's examinations?

Mr. HOGAN. I do not know whether they complained or not, but I tell you right now, speaking of the bank I am connected with, the directors would complain; and I tell you what the result of failure to examine in this community has been: In the last two years there was a perfect epidemic of defalcations. One bank in particular—

Senator NEWBERRY. Where were the directors?

Mr. HOGAN. I do not know, as I have no connection with the banks I have in mind, but the directors naturally can not make national-bank examinations. They were probably depending upon two things: A report from the officers and the bank examinations. No director of a bank can very well go to work and examine the bank; it happened, and I will tell you why—

Senator NEWBERRY. I have made an examination four times a year, myself.

Mr. HOGAN. You mean an examination of the bank?

Senator NEWBERRY. Entirely apart from the bank officers.

Mr. HOGAN. That is done by auditing committees of the directors. As to individual directors they may some of them do it, but they usually have committees, of course, to do that.

Senator NEWBERRY. They do it in Detroit, and that is a good place to follow the example of.

Mr. HOGAN. I understand, Senator; and, of course, that practice is followed here; but what I am directing attention to is that in this community we had the strong hand of the examining board taken away from the banks for years; however lax others might have been, the fact remains that that strong hand has been lifted from the banks and the result has been, to use the expression of an assistant district attorney here, "an epidemic of defalcations."

Now, I say that national-bank examinations properly and regularly carried on would help to prevent that. I do not say that they would do so altogether any more than the auditing by director's committee will prevent dishonesty altogether.

Senator NEWBERRY. It would be no excuse for the directors, at all.

Mr. HOGAN. Not at all; not at all; nor is it an excuse for the comptroller. It is as much the obligation of one as of the other. It is no excuse for the Comptroller of the Currency to say, "I paid no attention to what the law told me to do, because I depended on directors." You remember, when Mr. Adkins, one of the comptroller's counsel was here, some member of the committee asked whether a certain thing was not a technical violation of the law,

and Mr. Adkins stated that he did not know what a technical violation of the law was; and the comptroller's position is that there was no such thing in the national-bank law, and that what the comptroller's office commands must be done.

To my mind the failure for a period of three years of the Comptroller of the Currency to make national-bank examinations required by law is a serious matter. He did not report to Congress, mind you, although he is an officer of the Government who wrote reports directly to Congress, and does not send a report to the Secretary of the Treasury that he was not or that he could not make the examinations which the law commanded him to make, or that it was impossible for him to get up an organization to make them. I say that when the Comptroller comes before a Senate Committee—and I am merely expressing my opinion as a citizen—and confesses the fact that for a period of 3 years he did not comply with the plain requirements of the law in that important matter of bank examinations, then a very serious state of facts has been disclosed.

Senator NEWBERRY. Is it not possible he could not get the force? I do not suppose any well-organized firm in the country has the force it should have for its business. That may be a reasonable explanation.

Mr. LOGAN. That might have been true in 1917 and 1918, when the demand was greater than the supply in all walks of life, but in 1914, Senators, men throughout this country walked the streets looking for positions.

Senator NEWBERRY. Not good bank examiners.

Mr. LOGAN. I am not informed as to that. Many competent men sought positions then.

Senator NEWBERRY. Good bank examiners wanted to get positions examining income tax returns.

Mr. HOGAN. That was a little later. Of course, Senator, ever since time began, failure to comply with law has been followed with some excuse. The Senate and you never heard of this persistent failure to comply with the law until I stated it here. There are the annual reports made by the comptroller and there are the annual reports made by the Secretary. If it was impossible to comply with the law, and it certainly was not, because the comptroller tells you himself it had been a general rule always before the law was enacted to do this thing, it should have been made known to Congress and the law amended. I do not know what the views of others are, but speaking for myself, I say that when an executive officer of the Government has a plain mandate of the law before him, he must comply with it or make known to the lawmaking body why he can not comply with it, and not go along over a long term of years ignoring it.

Now, Senators, going on as rapidly as possible over a few remaining subjects, I have noted with some regret that there was included in this record, in part 7, pages 532-533, a letter signed by Mr. R. W. Bolling, produced here by Mr. Williams as an attempted refutation of the testimony of Mr. Poole. In that letter Mr. Bolling says:

I wish very specifically and emphatically to deny a statement by Mr. Poole that I went with him into his private office on the occasion referred to, or on any other occasion and "had a long talk" with him. As a matter of fact, I was never in his office in my life.

There is a rule of evidence that he who testifies falsely as to a fact about which he could not be reasonably mistaken, that permits the ignoring of all of his testimony. However Mr. Poole and Mr. Bolling might differ in their recollections of their conversation, Mr. Bolling could not reasonably be mistaken as regards his statement that "as a matter of fact, I was never in his (Mr. Poole's) office in my life." I produce here a letter dated September 5, 1919, written to the chairman of this committee by Mr. Charles B. Lyddane, informing the committee—I had just better read it to you. [Reading:]

FEDERAL NATIONAL BANK,
Washington, D. C., September 5, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: My attention has been called to a letter addressed to you, signed by Mr. R. W. Bolling, dated July 22, 1919, appearing on pages 532 and 533, part 7, of the report of hearings before the Committee on Banking and Currency of the United States Senate, on the nomination of John Skelton Williams to be Comptroller of the Currency, in which letter Mr. Bolling says: "I wish very specifically and emphatically to deny the statement by Mr. Poole that I went with him into his private office on the occasion referred to, or on any other occasion, and 'had a long talk' with him. As a matter of fact, I was never in his office in my life."

I am cashier of the Federal National Bank at Washington, D. C., and have been an officer of that bank since 1913. I have resided in Washington for approximately 14 years. On January 5, 1918, Mr. R. W. Bolling, in person, brought to the Federal National Bank a United States Shipping Board deposit of \$2,641,566.93. Mr. Bolling did not, as his letter states, stand at the receiving teller's window, but handed the deposit to me at the cashier's desk just inside of the bank's main entrance. While Mr. Bolling and I were standing at my desk conversing, Mr. Poole, of the bank, joined us. Almost immediately Mr. Bolling and Mr. Poole went into the latter's private office, which is located within a few feet of my desk, and Mr. Bolling remained in that office, to my absolute personal knowledge, in conversation with Mr. Poole for a period of time certainly not less than half an hour. From my position in the office I could even see the chair in Mr. Poole's private office in which Mr. Bolling sat.

Yours, very respectfully,

CHAS. B. LYDDANE.

And I produce here letter of the same date, signed by Miss Frances Barber, private secretary to the president of the Federal National Bank, certifying that on January 5, 1918, on that very date, which was a Saturday, there was dictated to her by Mr. Poole a memorandum of Mr. Bolling's visit and what went on at that visit. She certifies in this letter to Senator McLean that this memorandum, type-written by her at that time, which she attaches to her letter, is a correct transcription of what was dictated:

SEPTEMBER 5, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: I am an employee of the Federal National Bank, occupying the position of secretary to the president. I remember distinctly the day on which there was deposited in that bank for the account of the United States Shipping Board the sum of \$2,641,566.93, the exceedingly unusual size of the deposit and the comment exchanged between the cashier and myself when it was received fixing it clearly in my memory.

On the afternoon of that day the president of the bank, Mr. John Poole, personally dictated to me a memorandum, which I typed from my shorthand

notes, and the original of which, attached to this letter, I hereby verify as being correct and as having been dictated on the date which it bears, namely, January 5, 1919.

Yours, very respectfully,

FRANCES BARBER.

Reserves: You have been told that the Riggs National Bank was short in its reserves in violation of law. The law on the subject of reserves is found in section 51917 Revised Statutes of the United States, which provide in effect for a 25 per cent money reserve, and further provide:

And the Comptroller of the Currency may notify any association (bank) whose lawful money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for 30 days thereafter so to make good its reserve of lawful money, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver—

for the bank.

There was nothing in the law about "average" reserves for 30 days, because reserves fall down and go up in the most carefully regulated banks.

Comptroller Williams includes in this record a table, which upon superficial examination leads the reader to believe that the Riggs Bank had been on several occasions short for 30 days in its reserve, in violation of law; but careful examination shows that what he has stated is that the bank's reserve did not "average" 25 per cent for the 30 days preceding the date he gives. In other words, he adopts that method to again create a false impression. To illustrate, if the bank on 25 days was over in its reserves and on 5 days, distributed throughout the month, was under in its reserves, so that the average of the 30 days was, let us say, $24\frac{1}{2}$ instead of 25 per cent, he put that in the record here as a basis for the inference that there was a dangerous failure to maintain reserves, although he perfectly well knows that the law nowhere makes reference to average reserves maintained in a period of 30 days.

This action of the comptroller has the natural result that only by close scrutiny of the tables he produces here is the false conclusion avoided. Also he put that table before the court in the equity proceedings, and when I attempted to meet it by a "counter affidavit" his counsel objected. I shall now insert here the truth on this subject. Mr. Joshua Evans, jr., for a great many years has been employed at the Riggs National Bank and is its cashier now, made an affidavit in the equity case responding to this statement of Mr. Williams regarding reserves, and at the same time responding to others of his charges, which affidavit was filed in court and was material to the case. In it Mr. Evans in plain terms charges that Mr. Williams's affidavit was false, and set forth the truth on the subject. I lay stress on that for this reason: The Attorney General was quoted as having said that the Lammond affidavit and the Glover and Flather affidavit, out of which the perjury case grew, were diametrically opposed to each other, that both could not be true, and that an indictment necessarily must result. I will now show that in this same equity case John Skelton Williams's affidavit on the subject of reserves, and real estate loans, and some other subjects, and Joshua Evans's affidavit on those subjects, were diametrically opposed to each other, and that Mr. Evans, in his affidavit, in express

terms, stated that the affidavit of Mr. Williams was false. If Mr. Evans's affidavit was not true, you need have no doubt he would have long since been indicted, because that affidavit was filed in court; so the conclusion is, and the fact also is, that Mr. Evans's affidavit was true, and no one has ever heard of Mr. Williams having been indicted for having falsely made an affidavit in the equity case.

Mr. Williams has placed in the record of the hearings here his affidavit. I place here before you the affidavit of Mr. Joshua Evans:

IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA.

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C.

v.

JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States. } Equity No. 33360.

I, Joshua Evans, Jr., being first duly sworn according to law, depose and say: I am assistant cashier of the Riggs National Bank, of Washington, D. C., and have been employed by that bank since its organization as a national banking association.

I have carefully examined Exhibits D (pts. 1 and 2), G, J, and A, appended to the affidavit of John Skelton Williams filed in this cause the 15th day of May, 1915, and submit the following data with respect to the subject matters of said exhibits, compiled under my direction from the records of the Riggs National Bank, which show in some instances the misleading and in other instances the false character of the said exhibits made part of his affidavit by the said defendant Williams:

Part 1 of the defendant Williams's Exhibit D as found on page 55 of the printed copy of the affidavit of said defendant is as follows:

Shortages in reserve on day of report of condition of Riggs National Bank.

Date.	Cash.	Agents.	Total.	Federal reserve bank.
June 29, 1900.....	\$46,545			
Sept. 15, 1902.....	178,236			
Nov. 25, 1902.....	141,161			
Feb. 6, 1903.....	66,202			
June 9, 1903.....	149,332			
June 9, 1904.....	111,722			
Sept. 6, 1904.....	2,234			
Jan. 29, 1906.....	63,443		\$13,913	
Sept. 4, 1906.....	1,850			
Jan. 26, 1907.....	40,133			
May 20, 1907.....	96,959			
July 15, 1908.....	144,006			
Nov. 16, 1909.....	15,153			
Jan. 31, 1910.....	121,238			
Mar. 29, 1910.....	101,018			
June 30, 1910.....	234,716	\$129,004	363,720	
Sept. 1, 1910.....	6,581			
Nov. 10, 1910.....	18,727	182,103	200,830	
Sept. 1, 1911.....	7,187			
Feb. 20, 1912.....	44,547			
Apr. 18, 1912.....	80,529		70,814	
June 14, 1912.....	214,292	23,326	237,618	
Sept. 4, 1912.....	123,337		109,760	
Nov. 26, 1912.....	152,015	237,935	389,950	
Feb. 4, 1913.....	178,538	17,835	196,373	
Apr. 4, 1913.....	157,009			
June 4, 1913.....	500,363		430,719	
Aug. 9, 1913.....	282,384	21,130	303,514	
Oct. 21, 1913.....	178,801	196,217	375,018	
Jan. 13, 1914.....		234,741	211,980	
Mar. 4, 1914.....		16,523	14,528	
June 30, 1914.....	21,534			
Dec. 31, 1914.....				\$16,437
Mar. 4, 1915.....				15,092

A true statement of the cash reserves required by law and actually on hand in bank or with reserve agents on the dates listed by the defendant, Williams,

in the foregoing table, with the exception of December 31, 1914, and March 4, 1915, to be noticed hereinafter, is as follows:

	Cash required.	Cash held.	Required with agents.	Agents held.
June 29, 1900.....	\$655,675	\$609,122	\$655,675	\$1,310,442
Sept. 15, 1902.....	823,737	659,501	823,737	1,255,570
Nov. 25, 1902.....	843,137	706,976	843,137	1,433,168
Feb. 6, 1903.....	795,330	729,344	795,330	1,403,796
June 9, 1903.....	747,441	593,060	747,441	1,366,142
June 9, 1904.....	741,997	639,275	741,997	1,193,803
Sept. 6, 1904.....	746,666	743,307	746,666	1,452,730
Jan. 29, 1906.....	742,434	673,991	742,434	791,965
Sept. 4, 1906.....	742,156	740,308	742,156	805,944
Jan. 29, 1907.....	807,743	767,050	807,743	1,073,568
May 23, 1907.....	844,023	746,934	844,023	1,267,423
July 15, 1907.....	705,065	681,004	705,065	2,001,302
Nov. 16, 1909.....	877,892	853,621	877,892	941,436
Jan. 31, 1910.....	835,340	729,541	835,340	1,126,871
Mar. 29, 1910.....	965,177	820,005	965,177	1,204,247
June 30, 1910.....	824,823	744,625	824,823	843,540
Sept. 1, 1910.....	835,991	850,641	835,991	1,100,737
Nov. 10, 1910.....	871,162	852,360	871,162	693,996
Sept. 1, 1911.....	895,205	870,136	895,205	1,014,293
Feb. 20, 1912.....	922,443	865,392	922,443	980,975
Apr. 13, 1912.....	1,037,235	952,394	1,037,235	962,610
June 14, 1912.....	934,770	717,406	934,770	903,871
Sept. 4, 1912.....	795,403	786,461	795,403	942,104
Dec. 26, 1912.....	839,939	862,334	839,939	776,364
Feb. 4, 1913.....	890,263	880,132	890,263	1,040,845
Apr. 4, 1913.....	1,034,885	1,035,706	1,034,885	1,650,345
June 4, 1913.....	1,050,510	716,409	1,050,510	1,309,635
Aug. 9, 1913.....	1,025,163	877,453	1,025,163	1,124,932
Oct. 21, 1913.....	957,827	942,325	957,827	924,906
Jan. 13, 1914.....	1,051,413	1,071,776	1,051,413	814,073
Mar. 4, 1914.....	1,063,965	1,067,039	1,063,965	1,043,571
June 30, 1914.....	1,007,980	992,186	1,007,980	1,260,163

June 30, 1910, the bank had an amount exceeding the required lawful money reserve with reserve agents, and an amount below its required lawful reserve in its own vaults, its total actual reserve shortage on that day being \$56,481 and not \$363,720, as stated by the defendant Williams in part 1 of his Exhibit D. To make the statement of alleged reserve shortage on that date the said defendant improperly computed reserve on \$1,236,000 United States Government funds then deposited with the plaintiff, against which the law does not require the keeping of a money reserve; the actual total reserve shortage June 30, 1910, was less than 1 per cent, whereas the defendant Williams, in his false exhibit, shows the same at more than 6 per cent.

On the dates in the above table thus indicated (xx) the defendant Williams erroneously states the reserve figures by reason of his improper inclusion of Panama Canal deposits, which in virtue of the act of Congress approved August 24, 1912, were not thereafter to be properly included in deposits on which reserve should be computed; on September 4, 1912, plaintiff bank had an excess of \$137,959 over its required reserve; February 4, 1913, it had an excess of \$140,441 over its required reserve; on April 4, 1913, it had an excess of \$516,281 over its required reserve; in three of the remaining four dates thus marked (xx) it was temporarily short its required reserve, as follows: June 4, 1913, short \$74,976; August 9, 1913, short \$47,936; October 21, 1913, short \$48,420; while on December 6, 1912, it was temporarily short in its required reserve \$141,330.

The statement contained in part 1 of the said defendant's Exhibit D to the effect that the plaintiff bank was short in its reserve with the Federal Reserve Bank on December 31, 1914, \$16,437, and on March 4, 1915, \$15,092 does not accord with the facts, which are that on December 31, 1914, the plaintiff bank was required to have in its vaults lawful money reserve amounting to \$447,967, and on said date actually held in its vaults \$313,302; on that date plaintiff bank was required to have on reserve with the Federal Reserve Bank \$223,983, whereas on said date it had on deposit with said Federal Reserve Bank \$222,168, a deficiency of only \$1,815, and not of \$16,437, as stated by the defendant Williams; on March 4, 1915, plaintiff bank was required to have as lawful money reserve in its vault \$485,471, and on that date it, in fact, had in its vault in lawful money reserve \$1,301,890.70; on said date it was required to have with

the Federal Reserve Bank \$242,735, and on that date it had with the Federal Reserve Bank \$243,306, so that on said date it had an excess in the legal reserve required both in its vault and with the Federal Reserve Bank, its total excess over the amount required by law being \$817,090, whereas the defendant Williams conveys by part 1 of his schedule D the false inference that it was short in its required reserve on said date; it will be noted that the excess in the reserve it held on that date amounted to more than the lawful reserve required of it.

Part 2 of the said defendant's said Exhibit D, as the same appears on page 55 of the printed copy of his affidavit, is as follows:

Table showing per cent of average reserve for 30 days prior to the dates of reports of condition of Riggs National Bank.

Date.	Cash.	Agents.	Total.
Sept. 4, 1906.....	11.88		
Nov. 12, 1906.....	10.85		
Mar. 22, 1907.....	11.69		
May 20, 1907.....	12.41		
July 15, 1908.....	10.80		
Feb. 5, 1909.....	11.65		
June 23, 1909.....	10.09		
Nov. 16, 1909.....	12.40		
Jan. 31, 1910.....		11.90	24.80
Mar. 29, 1910.....	11.53		
June 30, 1910.....	12.09		
Sept. 1, 1910.....	11.40		
Nov. 10, 1910.....	10.20		24.94
Jan. 7, 1911.....	9.77		23.72
Mar. 7, 1911.....	9.36		
June 7, 1911.....	11.72		
Sept. 1, 1911.....	10.77		
Dec. 5, 1911.....	11.25		
Feb. 20, 1912.....	10.19		24.38
Apr. 18, 1912.....	11.60		24.81
June 14, 1912.....	9.40		
Sept. 4, 1912.....	9.97		24.50
Nov. 26, 1912.....	10.31		24.43
Apr. 4, 1913.....	11.15		
June 4, 1913.....	11.05		23.58
Aug. 9, 1913.....	11.55		24.18
Oct. 21, 1913.....	10.13		24.63
Mar. 4, 1914.....	10.87		24.33

A full and true statement on the subject purporting to be covered by said part 2 of said Exhibit D is as follows:

Date.	Cash.	Agents.	Total.
Sept. 4, 1906.....	11.88	15.16	27.04
Nov. 12, 1906.....	10.85	14.65	25.50
Mar. 22, 1907.....	11.69	16.44	28.13
May 20, 1907.....	12.41	16.30	28.71
July 15, 1908.....	10.80	27.30	38.10
Feb. 5, 1909.....	11.65	30.96	42.61
June 23, 1909.....	10.09	19.13	29.22
Nov. 16, 1909.....	12.40	12.80	25.20
Jan. 31, 1910.....	12.907	11.905	24.812
Mar. 29, 1910.....	11.53	14.23	25.76
June 30, 1910.....	12.09	13.55	25.64
Sept. 1, 1910.....	11.40	17.00	28.40
Nov. 10, 1910.....	10.20	14.74	24.94
Jan. 7, 1911.....	9.77	13.95	23.72
Mar. 7, 1911.....	9.36	22.85	32.21
June 7, 1911.....	11.72	16.44	28.16
Sept. 1, 1911.....	10.77	14.00	25.37
Dec. 5, 1911.....	11.25	16.45	27.70
Feb. 20, 1912.....	10.198	14.197	24.395
Apr. 18, 1912.....	11.60	13.21	24.81
June 14, 1912.....	9.40	16.50	25.90
Sept. 4, 1912.....	9.97	14.53	24.50
Nov. 26, 1912.....	10.31	14.12	24.43
Apr. 4, 1913.....	15.15	14.10	25.25
June 4, 1913.....	11.05	12.53	23.58
Aug. 9, 1913.....	11.55	12.63	24.18
Oct. 21, 1913.....	10.13	14.40	24.53
Mar. 4, 1914.....	10.87	13.46	24.33

The foregoing figures were all furnished by the plaintiff bank to the Comptroller of the Currency on the dates above listed, and were of record in his office at the time he prepared and made part of his affidavit part 2 of his Exhibit D.

The plaintiff bank does a large business with Southern correspondents, who at times require, to meet their demand, the shipment of currency, and hence the reserves in its vaults will at times fall below 12½ per cent of its total cash; as it carries a large large part of its lawful reserve on deposit in New York it is always possible, however, by telegraph to order a supply to replenish any temporary deficiency, and seldom does the deficiency exist for more than a day or two. As an illustration of the character of part 2 of the defendant Williams's Exhibit D, it should be stated that for the 30 days ending January 31, 1910 (as to which period the defendant fails to show any entry of the average reserve cash in the vault of the plaintiff bank, but shows an average reserve with reserve agents of 11.90 as against the law's requirement of 12.50), the plaintiff bank was over in its reserve on the 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22d, 23d, 24th, 25th, 26th, 27th, and 28th of January, 1910. Other periods of 30 days might be taken as illustration, but this suffices.

Referring to the Defendant Williams's Exhibit G, which appears on page 65 of the printed copy of his affidavit, this affiant says that it is true that on May 18, 1914, the total of all of its loans to all of its officers, directors and employees was \$498,125, but it is likewise true that the total loans held by the plaintiff bank as of May 18, 1914, amounted to \$7,746,108.52, so that the total of all of its loans to all of its directors, officers, and employees amounted to only 6.43 per cent of its total loans on said date; it is furthermore true that on that date the 17 gentlemen whose names appear in the third paragraph of the plaintiff bank's bill, on page 9 of the printed copy thereof, were directors of said bank, many of them actively engaged in successful business enterprises requiring and justifying the making of loans.

Referring to Exhibit J to the defendant Williams's affidavit, as the same appears on page 89 of the printed copy of said affidavit, this affiant says that the truth respecting the amount of loans and the existence and amount of overdrafts as of May 18, 1914, of 23 of the 24 borrowers referred to by said defendant, is as follows (the affiant being unable to identify the borrower given as "T," the sixth from the bottom on the defendant's Table J, is compelled to omit the same from the following statement):

Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.	Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.
F.....		\$63,890	\$82,155	P.....	\$122.45	\$100,872	\$125,000
F.....		63,500	69,000	P.....	52.88	28,622	53,000
R.....		170,202	170,000	T.....		112,500	209,852
V.....		55,000	78,750	W.....		285,500	428,000
A.....		31,647	29,700	M.....		50,000	67,500
D.....		206,307	241,597	P.....		58,250	70,500
D.....		47,000	71,600	P.....		15,184	45,000
D.....		125,787	252,840	N.....		24,000	29,500
H.....		21,000	42,870	F.....		17,500	34,800
K.....		46,686	57,550	N.....		23,000	31,800
L.....		87,500	108,500				
M.....		72,792	98,000		175.33	1,779,629	2,488,444
M.....		70,000	101,000				

Exhibit A to the defendant Williams's affidavit is false and erroneous in that it purports to set forth real estate loans alleged to have been made by the Riggs National Bank, whereas in truthfulness and in fact, as well known to the said defendant, no loans have been made by the Riggs National Bank on real estate, and the loans referred to by him were such as were incidentally and collaterally secured by notes which in turn were secured upon real estate, which loans were not forbidden by the national bank act, as held by the United States Supreme Court, this affiant is advised and believes, in *Bank v. Matthews*, (98 U. S., 621) the loans so listed having been expressly declared to be lawful and not subject to criticism by the Comptroller of the Currency to national bank examiners in a formal ruling of the Comptroller of the Currency to national bank examiners dated and issued January 11, 1910, a copy of which the defend

ant Williams himself has included in a printed volume entitled "Miscellaneous Letters Relating to Correspondence Between the Treasury Department and Riggs National Bank," volume 3, on pages 77 to 79 thereof.

And further affiant sayeth not.

JOSHUA EVANS, Jr.

Subscribed and sworn to before me this 17th day of May, 1915.

BESSIE B. SHEEHY,

Notary Public, District of Columbia.

On this subject of reserves the Honorable Leslie M. Shaw, being in Indiana shortly after the time I appeared before this committee last July, wired me as follows:

THORNTOWN, IND., July 25.

FRANK J. HOGAN,

811 Colorado Building, Washington, D. C.

When country was on eve of greatest panic ever seen in October, 1907, I took heroic action. Among the remedies was this: I told the banks to use their last dollar of reserve if necessary and I would protect them, exactly as the law plainly authorized the Secretary to do. The law is very clear. No harm can follow encroachment upon reserve except with approval of Secretary of Treasury. This was fully intended by the lawmakers to afford elasticity, exactly as under the Federal reserve act the board may lower the reserve whenever necessary. Had the intent of the law been followed the country never would have had a panic.

Senators, it will be remembered it was because the banks locked up cash that we had the 1907 panic. Reserves in a bank are like reserves in a police station, to be used when they are needed. There was never a time in the entire history of the Riggs Bank when there was more than a temporary depreciation in reserves, and that was always to meet the legitimate banking requirements of their correspondents. There was never a time in the history of the Riggs Bank when reserves were short, even a fraction of 1 per cent, for a period of 30 days, as forbidden by law.

Directors' oaths: Mr. Williams has said in this record, and he stated here this morning, repeating again, that there were several cases where the directors of the Riggs National Bank were found not to have complied with the law on the subject of oaths of directors. I will not characterize that statement further than to say that it is just simply untrue. In the entire directorate of 18 members the only instance, and that by oversight, where a director had pledged the 10 shares of his stock which he should have kept unhypothecated was Mr. Frank Henry. No other director had ever overlooked that requirement of law. Mr. Milton E. Ailes had never failed to make a correct certificate when he qualified as a director. All that a director is required to do on that subject is to make oath that he has 10 shares of stock unhypothecated, and at no time was Mr. Ailes or any other director, except Mr. Henry's certification and affidavit on that subject, improper or incorrect. There was standing in Mr. Ailes's name quite a large block of shares of stock which he had transferred to the other gentlemen who had purchased Riggs stock at the same time Mr. Ailes had purchased and some of them had not presented certificates for transfer on the books of the bank and therefore the books carried Mr. Ailes as owning a certain number of shares of stock, but Mr. Ailes had never made any statement under oath or otherwise that was not perfectly true; and when, in January, 1915, or in December, 1914, Mr. Williams intimated the contrary, Mr. Ailes replied to him, and gave him the truth, and as he has in-

serted his letter, I insert Mr. Ailes's letter of January 2, 1915, in the record:

JANUARY 2, 1915.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: In your letter of December 29, 1914, to the Riggs National Bank you say, among other things:

"Director M. E. Ailes states that his ownership of stock in the Riggs National Bank at the time that he took the oath as director, January 15, 1914, consisted of certificate No. 607 for 100 shares and No. 661 for 10 shares of stock, and yet it appears that Mr. Ailes swore before a notary public on January 19, 1914, his holdings amounted to 1,117 shares; that on March 10, 1914, he swore before a notary public that the stock owned by him on March 4, 1914, amounted to 1,117 shares; that again on July 8, 1914, he again swore to the ownership on June 30, 1914, of 1,117 shares. On September 16 it appears that he made similar oath before a notary public as to ownership of 1,117 shares on September 12, 1914; and that on November 6, about three weeks before his letter of December 1, he again swore before a notary public that he owned on October 31, 1914, 1,117 shares.

"Please request Mr. Ailes to explain at once these apparent discrepancies in his sworn statements, the difference involving the ownership of more than 1,000 shares of the stock of the Riggs National Bank."

In the above-quoted paragraph you are evidently referring to the five "statements of condition" of this bank made during the year 1914, which statements, as required by the national-bank act, were verified by the oath or affirmation of the president or cashier and attested by the signature of at least three of the directors. My function as a director as to "attest," and I took no oath, either before a notary public or anyone else, of any kind whatsoever.

The cashier of the bank correctly reported the number of shares of stock in the Riggs National Bank standing in my name, as shown by its stock book. It was his duty to report ownership as shown by the books, and it was my duty as a director to "attest" that his transcription had been correctly made.

There were, on the dates given by you in the above paragraph, 1,117 shares of the capital stock of the Riggs National Bank standing in my name. Of these, 110 shares belonged to me in my own right, as stated by me under oath in my letter to you dated December 1, 1914, and the remainder had theretofore been duly and properly assigned, but the parties to whom they belong have not had them transferred on the books of the bank to their own names.

Respectfully,

M. E. AILES.

Now, the reason that I asked for the production before this committee from the comptroller's files of communications on the subject of directors' oaths to any other banks in the city of Washington was this: He did make these inquiries of other banks in this peculiar way—prior to the passage of the law which gave the Federal Reserve Board the right to designate what banks were competitive, so that members of one bank board should not be on the other bank board, Mr. Ailes was a member of the Bank of Washington board, as well as of the Riggs National Bank board, and Mr. Flather was a member of the American Security & Trust Bank board, as well as the Riggs Bank board. When Mr. Williams wrote the letter requiring each member of the Riggs board of directors to send in a sworn statement as to whether or not he had ever violated his oath as director he wrote to the National Bank of Washington and to the American Security & Trust Co. to ask them for a report from their directors as to the stock which they owned when they qualified. He was not interested in that, but to ask them for a report from such of their directors as were also directors in any other national bank in Washington, to report the number of shares of stock owned when they took their qualifying oaths.

The reason he did this was that Mr. Ailes was a director on the Riggs Bank board and also a member of the board of the National Bank of Washington, and Mr. Flather in addition to being a member of the Riggs Bank board was a member of the board of the American Security & Trust Co. The records of his office will not show that he wrote any such letters to any bank or trust company in Washington on the board of which there was not a gentleman who also happened to be a member of the board of the Riggs Bank. When I requested this committee a few days ago to have Mr. Williams produce before it any letters written by him to other national banks in Washington on the subject of oaths of directors, it was for the purpose of having before you from the official records themselves, evidence of his continual discrimination practiced only against Riggs Bank and its personnel. Of course he has failed to produce any communications to any national bank in Washington except when he was "reaching for" the directors of the Riggs Bank.

Senator Frelinghuysen asked me whether or not the account of Mrs. C. C. Glover was overdrawn in March, 1915, when Comptroller Williams wrote the bank commenting on the fact that at the time of the national bank examiner's report in 1913 there was an overdraft in that account amounting to \$6,000. I hereby present the original ledger accounts of Anna [Mrs. C. C.] Glover, and of C. C. Glover. They show that at no time in 1915, when the comptroller's letter was written, was that account overdrawn.

I have testified here before that, as was well known to the bank examiners and to everybody in the bank, the Anna C. Glover account was a housekeeping account of Mrs. C. C. Glover. Mr. Williams, on page 612, part 8 of these hearings, sweepingly says as regards the knowledge of others that both of these were Mr. Glover's accounts:

I did not know it, nor did the examiners know it, nor anybody in the bank know it, nor do I believe it was true.

That is characteristic. I present here now the ledger sheet. I think you will see entry after entry showing from time to time the transfer from the C. C. Glover account of moneys to the Anna C. Glover account, indicating by the bookkeeper putting the initials "C. C. G." and then the amount transferred. I repeat the fact that these were both Mr. Glover's accounts, and that the one on which Mrs. Glover drew checks was simply the housekeeping account, was known throughout the bank. I repeat, it was made known to the national bank examiner, and was part of the information in the comptroller's office, and I repeat that the C. C. Glover account showed a balance of more than \$26,000. Lastly, I repeat, that the point is, that approximately two years after the matter had been reported, for no purpose whatever except that of slurring, at a time when there was no overdraft whatever on the account, Mr. Williams wrote his comment on that subject.

Real estate loans: Again and again there is repeated here the charge that the Riggs National Bank made real estate loans. I refer you to the affidavit of Mr. Joshua Evans, jr., already inserted in this record, on that subject. You will find in the volumes of correspondence repeated sworn statements made by the officers of the bank which show that never from the date that the Riggs Bank became a

national institution did it make a real estate loan. True, in the correspondence back of 1909 between the bank and comptroller certain loans are referred to as real estate loans, but, as has already been shown, this was due to an error in the comptroller's office in classing as real estate loans loans which were in fact personal but in connection with which the borrower had given as collateral notes which he owned and which in turn were secured on real estate. Comptroller Murray, in the light of a decision of the United States Supreme Court, ruled that the practice of the office on that subject had been erroneous. Mr. Kane, now and for many years deputy comptroller, can tell you that the present rulings of the office of the comptroller are that such loans are not real estate loans, and that the office now rules that they are in no way in contravention of law.

Excess loans: This matter, repeatedly referred to by the comptroller, can be dismissed with the statement that never from May, 1906, down to the time Mr. Williams went into the office of comptroller in 1914 was there a single, solitary, single excess loan in Riggs Bank. He can not produce one letter from any comptroller to the Riggs Bank so stating.

Prior to 1906, as you well know, the law permitted loans only up to 10 per cent of the bank's capital, regardless of its surplus. The comptroller's office had a regular form to be sent out following each bank examination on the heading of which was printed the words "Excess loans" so general were such loans carried, always subject, however, to the liability of the bank's officers if they were not safe. In June, 1906, Congress passed a law providing that loans should not exceed 10 per cent of the capital and surplus, and never since that law was passed has there been, or has there ever been intimated that there was, excess loans made by Riggs National Bank. How far-fetched it is for Comptroller Williams to tell you that one of the reasons for his conduct toward the Riggs National Bank in 1914 to 1916 was that under the old law prior to 1906 there had been some excess loans in the bank.

Telephone and telegraph wire connections between the Riggs National Bank and bankers and brokers: Under subject of telegraph and telephone wires connecting the Riggs National Bank with other banks and with brokers' offices, the record has been clouded, though the facts are not only clear, but were fully known to Comptroller Williams. The whole truth on that subject, as well known to him, is as follows:

June 19, 1914, Comptroller Williams directed the Riggs National Bank to inform him "under oath," whether or not it was true that the Riggs National Bank has a private telegraph line connecting it with a brokerage house or houses in New York. To this inquiry Mr. Glover, the bank's president, under date of June 22, 1914, promptly and truthfully responded:

I reply that there is in the Riggs National Bank a telegraph instrument which is connected by means of a wire loop with the office at 729 Fifteenth Street NW., this city, of James B. Colgate & Co., bankers and brokers, which office in turn undoubtedly has wire connection with their office in New York City. This instrument is maintained and operated at the sole expense of the National City Bank of New York, and is used for the purpose of quick communication with that bank on matters of mutual business interest. It is not and has not been used for the transmission of orders for the purchase or sale of stocks or other securities on the New York or any other stock exchange. Through courtesy,

Colgate & Co. have accepted and delivered messages to and from the National City Bank of New York, at its or our instance, involving the sale to that bank or the purchase from it of United States and other bonds such as are accepted by the United States Treasury against public deposits. None of these transactions has been with brokers, but with the National City Bank only. The business to which your inquiry seems to relate, namely, the making of investments for our customers through the medium of brokers on the New York Stock Exchange, or elsewhere, is transacted by telephone, and orders therefore are given to any one of several local representatives of New York Stock Exchange houses. These telephones are maintained by the brokers themselves without expense to this bank.

It will be noted that the foregoing information was given Mr. Williams under date of June 22, 1914. The very next day, June 23, Mr. Williams came back at the bank with a long characteristic letter, opening with the words, "I received yesterday afternoon after 5 p. m. your president's letter of the 22d inst.," and transmitting to the bank in quadruplicate a list of interrogatories, 16 in number, with a demand that all the four officers answer "these interrogatories under oath before a notary public," and further, that "replies to such other inquiries as may be contained in this letter be also made under oath and signed by each of the aforesaid officers of the Riggs National Bank." He followed this on June 29 by advising the bank that a penalty of \$100 per day was imposed on it for each day's delay in replying to these interrogatories of his, which penalties, he took care to advise the bank, were "in addition to fines heretofore imposed, as per previous letters." His interrogatory No. 12, together with the answer made and sworn to by each of the four officers of the Riggs Bank to that interrogatory, were as follows:

Question 12. Please give the names of brokers who maintain at their expense private telephone connections with your bank, and state generally for what purposes such connections are maintained.

Answer to Interrogatory No. 12. James B. Colgate & Co. and Lewis Johnson & Co., at their request and at their expense, maintained and do maintain private telephone connections with offices of the Riggs National Bank. These connections are maintained generally for the purpose of enabling our officers to give orders to said brokers to buy or sell stocks, bonds, and other securities on behalf of those of our customers who request us to do so and to get information and reports on stocks, bonds, and other securities for the benefit of the customers who may desire our officers to obtain such information for them.

That is the whole truth regarding the subject of telephone and telegraphic connections with the Riggs Bank of which the comptroller has sought to make so much. The officers of this bank, like the officers of banks generally, have always assisted customers in the matter of their investments. I have quoted the record. Anyone reading it will appreciate the animus that must have directed an effort to distort out of the foregoing facts anything of an improper nature.

Penalties: The comptroller has insisted before this committee that the only penalty he subjected the Riggs National Bank to was that amounting to \$5,000, which he sought to collect on April 1, 1915, by directing the Treasurer of the United States to withhold the sum of \$5,000 due the bank as interest on its Government bonds. Again Mr. Williams's efforts now to convince this committee that he imposed no other penalties against the Riggs Bank, I lay before you the following quotations from his own language in communications addressed by him to the bank.

On June 15, 1914, he said:

Please take notice that for failing to make and transmit to this office the special reports called for in the letter from this office of the 9th instant, * * * you will be subject to a penalty of \$100, for each day, from this date, inclusive, that your bank delays to make and transmit the reports called for.

On June 19, 1914, Mr. Williams wrote the bank:

I confirm the statement contained in my letter of the 15th instant, as above quoted.

On June 23, 1914, he said:

I note with regret that you apparently do not appreciate the justice of the fine of \$100 per diem which has been imposed, as per my letter of June 15, from and including that date, for each day's delay in furnishing certain information which had been called for.

On June 29, 1914, he said:

Your omission to furnish the information called for over your president's signature, therefore, subjects you to the imposition of a fine of \$100 per diem from this date for this delay, in addition to fines heretofore imposed, as per previous letters.

On June 29, 1914 (the same date), he informed the bank:

Under sections 5211 and 5213 you will also be subject to further penalties for delay in supplying reports which you have also been called upon to submit over the signatures of other executive officers of your bank.

On August 31, 1914, he stated to the bank:

You have not furnished the special reports and statements called for, and you are hereby notified that you are now liable for the per diem penalties provided in the statute as to each one of the several statements and reports called for in my letter to you of August 18 and also in my letter of the 25th instant.

November 19, 1914, Mr. Williams wrote the bank:

Again reminding you of the penalties which you have incurred and are incurring * * * I again call upon you to furnish immediately the special reports and statements referred to in my letters of August 31, August 25, and August 18. Let this information be furnished under oath, over the signatures of your president, your two vice presidents, and your cashier.

December 5, 1914, he said, "You are hereby notified that in accordance with the terms of sections 5211 and 5213 of the Revised Statutes you are subject to a penalty of \$100 per day for each day that you withhold the reports which you have been called upon to furnish," referring to data which he had in recent letters required, in addition to the volumes of data which for more than six months were being sent to him.

February 11, 1915, he had Deputy Comptroller Kane write the bank, saying:

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency on the 22d ultimo, you are liable for a continuing penalty of \$100 per day, as set forth in the letter of the 22d ultimo, above referred to.

On March 9, 1915, he wrote a letter demanding additional information and advised the bank that it was a "continuing penalty."

On March 30, 1915, in informing the bank that in one instance alone, that which was based on his letter of January 22, 1915, he called upon it for penalties amounting to at this time \$5,000, he said: "The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring," and

Senators, the foregoing quotations are from the language of the public official who now tells you that there was but one fine against the Riggs Bank. Why, sirs, in the very teeth of his present denial is his own language of September 24, 1914. On September 16 the Riggs National Bank, having naturally become concerned by Comptroller Williams' reiterated statements that there had been impressed upon it penalties in the sum of \$100 per day for numerous alleged failures to reply precisely as he demanded to his endless series of letters, transmitted to him a resolution of its board of directors, in which it was "*Resolved*, That the Comptroller of the Currency is respectfully requested to inform this board with exactness whether he has undertaken to impose any penalties upon this bank under the provisions of said section, 5211 and 5213 of the Revised Statutes, and, if so, the dates, etc.," and on September 24 Mr. Williams responded to this respectful request for information in the following words: "In reply to the request in your letter of the 16th instant that I inform you whether this office has undertaken to impose any penalties under the provisions of sections 5211 and 5213, Revised Statutes, the dates and causes for said penalties, etc., you are referred to my previous letters and the record, which clearly set forth the position and intentions of this department in the premises."

As I have heretofore testified, taking his own statements as a basis for calculation, at the time the bank's equity suit was filed expert accountants figured that the total of these accumulated penalties had then reached \$160,000, and that they were continuing on the basis of "the position and intention of this department," as stated by Mr. Williams himself, at the rate of \$1,600 per day. He now denies that the bank was subject to any but one penalty, a denial that is interesting in view of his September, 1914, statement that his "previous letters and the record," which are as above quoted from, "clearly set forth the position and intentions" of his department as regards the penalties.

Senator NEWBERRY. Is there any possibility that he said "assessed" instead of "imposed"?

Mr. HOGAN. Oh, Senator, that is the loophole through which in this hearing he has sought to crawl. In his letter of March 30, 1915, and now before this committee, he uses that word "assessed." As you will observe from his correspondence, he uses the expressions "imposed" and "accrued" and "accruing" and "subject to" and "continuing." After nine months advising the bank that penalties had been imposed upon it, he now says, in fact, that his "previous letters and the record" did not, as he had asserted, "clearly set forth the position and intentions of the department in the premises," and that the only word that was effective is that word "assessed"—and that is what has now been suggested to you.

The CHAIRMAN. Is that word "assessed" in the statute?

Mr. HOGAN. Yes, sir; in this sense: The statute provides that for any failure to render certain classes of reports, specified in the statute, the bank so failing "shall be subject" to a penalty of \$100 per day, and that upon the failure of such bank to pay the penalty "herein imposed," after it has been "assessed" by the comptroller, the amount may be retained upon order of the comptroller out of interest due the bank on bonds. In that sense the word "assessed" is used in the statute.

The CHAIRMAN. I assumed it was.

Mr. HOGAN. The Riggs Bank application for renewal of charter. I will detain you only briefly on a point which the comptroller says was so small and trivial that Mr. Darlington was hard pressed when he called the committee's attention to it. The comptroller required the bank to submit two applications for the renewal of its charter because the first application, which was dated May 23, 1916, requested that the charter be extended until June 27, 1936, which Mr. Williams said was an application for the extension for "20 years and 1 day," whereas the application should be for "an extension of 20 years only." When I advise you of the trouble he thus put the bank authorities to, refusing even to follow the Supreme Court decisions in the matter, you will understand why Mr. Darlington referred to it.

The application for the extension of the charter of a national bank has to be voted on by the stockholders, not by the directors, and the stockholders of the Riggs Bank were scattered in various parts of the country. This was more than usually true when he called attention to this one-day question after the middle of June, when many of the stockholders who reside in Washington had left for the summer. Mr. Williams absolutely insisted that the whole matter of getting the action of the bank's stockholders on the application for an extension of its charter be repeated, simply because, as he said, and erroneously said, the application was for "20 years and 1 day," whereas it should have been for "20 years only." He is right when he now describes that thing as trivial and small. It was small. It was petty. But it was the smallness and pettiness of Mr. Williams, not of the bank or of its officers. We were compelled to go back to the stockholders, communicate with them throughout the country, and get up a new application; and although the law laid down by the United States Supreme Court, that in computing time you omitted the first day and included the last day, was brought to the attention of Mr. Williams by Mr. Darlington, he received from the comptroller the response in substance that that made no difference to him because the practice of his office was to count the day of the charter's date, a statement that is shown to have been unfounded by the records of his own office on the extension of the charters of the following Washington banks: National Bank of Washington, Second National Bank, National Metropolitan Bank, as well as banks throughout the country, some of which received their charter extensions the very month in 1916 when the Riggs Bank made application for a renewal of its charter.

I do not know how many times in the record of the hearing here, but over and over again Mr. Williams repeats in his testimony the statement that in the equity case Judge McCoy in an interlocutory decree said that there was no evidence of malice on his part; and in a letter to you, Mr. Chairman, of August 12, 1919, in which the comptroller, with characteristic modesty, conveys the information that he is quite the most superior comptroller this country has ever had, he states that "I have heretofore given you the language of the court, declaring emphatically that there was no evidence of conspiracy or malice on the part of the Secretary of the Treasury or the

Comptroller of the Currency * * *." Well, I can dispose of that point entirely by referring you to what actually occurred, as shown by the equity record. The statement that there was no "evidence of malice" might accurately be broadened into a statement that there was no evidence in the case at all. It never reached the point where evidence was taken or was admitted. It was heard, I repeat, on preliminary motions and ex parte affidavits. The following will dispose of this matter as to whether there was "evidence of malice" once for all. The court, in colloquy with counsel, had made the statement upon which Mr. Williams relies, and on May 22, 1915, while I was addressing the court on that subject, the following transpired. I refer to pages 669 and 670 of the equity record. [Reading:]

Mr. HOGAN. Your honor knows from the illustration I gave you here that there are five hundred and twenty and odd pages of the correspondence between the bank and the comptroller. At the time the bill was written there were 503, and it is so alleged. Your honor knows that the bill is within, I think sixty-some pages, and therefore that there has only been general characterization of the character of the actions of the comptroller. If we come to the merits of this case and display, as in the evidence we will have to display, and which it would not be proper to display in our bill, these fifty or sixty odd letters from the comptroller, taking up the bulk of these 520 pages, then and not until then would it be possible for the justice presiding in this court and in this case to say whether or not there is in that correspondence that which shows bad faith, arbitrarily abuse of power, and malice on the part of Mr. Williams.

The COURT. That is true on the merits, but I am called on to pass upon what is before me now.

Mr. HOGAN. Exactly.

The COURT. What I said—and I adhere to the statement—is that to me, there is absolutely nothing here to show bad faith on this record.

Mr. HOGAN. No; I will concede that. The charge is there, and the evidence naturally would not be in the record.

The COURT. No.

Of course, it was not in the record; there was nothing in the "record" of evidence in that case; we were never able to reach the point where the case was tried and evidence put in the record, and you know why—because you know how its dismissal was forced. So how can any intelligent person talk here to you about a court that had never heard any evidence deciding that there was no evidence of malice? And, of course, when this fact was called to Judge McCoy's attention he had to say he was not deciding the case on its merits, and that at that stage of the case "evidence" could not properly be in the record.

While I am on the subject of malice, there quite naturally comes to my mind Comptroller Williams's persistent attitude, to which I have heretofore called your attention, toward Mr. George G. Hill, a newspaper correspondent of high standing, who has so often been mentioned in the record. Even as regards this, which is, of course, a collateral matter, we find Comptroller Williams before this committee endeavoring deliberately to create a false impression, an endeavor which was not successful in view of questions which you propounded, Mr. Chairman. I only take up your time with this matter of Mr. Hill because ordinary decency and fairness requires that the attempt to besmirch him should not be permitted to stand unanswered.

On page 578, volume 7, of this committee's hearings on the nomination of John Skelton Williams, the latter was referring to

George G. Hill, and the record shows that the following occurred. [Reading:]

Mr. WILLIAMS. * * * Mr. Hogan praises Mr. Hill and proceeds to read into the record a letter from Mr. Root; but I call your attention to the fact that Mr. Hogan omitted to read into the record a letter from Mr. Hill's former employers, the New York Tribune, who were familiar with his work and who saw fit to dispense with his services. A letter from the Tribune would perhaps have been more significant than a letter from others who may never have employed him.

The CHAIRMAN. Have you got any such letter? Do you know anything about any such letter?

Mr. WILLIAMS. From whom?

The CHAIRMAN. The Tribune, dismissing him.

Mr. WILLIAMS. I do not.

The CHAIRMAN. Well, do you mean to insinuate that they dismissed him—

Mr. WILLIAMS. I mean to say that he separated from them soon after this incident.

The CHAIRMAN. Oh, well—

Had it not been for your questions, Mr. Chairman, the statements of the comptroller would have left the impression, entirely false, as I will show you, first that there was in existence no such letter as he referred to from the New York Tribune, as he did leave in the record the equally false impression that there was any connection between the resignation of Mr. Hill as correspondent of the New York Tribune and the articles which Mr. Hill, in the course of his employment as the Washington correspondent of that paper, wrote to the Tribune in 1913 with regard to certain official conduct of John Skelton Williams.

First, on the subject of the letter from the Tribune, I present herewith a letter from Mr. Clinton W. Gilbert, a member of the Senate Press Gallery, who was assistant editor of the Tribune, with full jurisdiction over that newspaper's Washington bureau at the time when Mr. Williams intimates Mr. Hill was dismissed by that newspaper because of his articles about the comptroller. It is only necessary to present the letter. It so completely meets the situation that comment can add nothing.

(The letter referred to by Mr. Hogan is as follows:)

UNITED STATES SENATE PRESS GALLERY,
Washington, D. C., August 14, 1919.

Mr. GEORGE G. HILL.

DEAR SIR: I was assistant editor of the Tribune at the time when your articles on the Munsey-United States Trust Co. merger were printed and at the time about a year later when you resigned from the Tribune, and I am pleased to say in writing what, of course, you already know, that any statement that there was any connection between the two is wholly untrue.

As I had full jurisdiction over the Washington bureau during this entire period, I am in a position to speak with entire authority.

Sincerely, yours,

CLINTON W. GILBERT.

As regards Mr. Williams's statement that Mr. Hill separated from the New York Tribune soon after the incident of writing the articles which were published in that paper about the comptroller, the truth is interesting: The Tribune articles were published in December, 1913. Mr. Hill was Washington correspondent of the Tribune until October 15, 1914. That does not look like he "separated from them soon after the articles were published." Though that is a sufficient answer to Mr. Williams's statement, it is fair to add that in the mean-

time, as an evidence of appreciation by the Tribune of the character of Mr. Hill's services, he was, subsequent to the time he wrote the articles criticizing Mr. Williams, assigned, in the summer of 1914, to the most important newspaper assignment in this country, namely, to report for the New York Tribune and the London Times the Mexican mediation conference at Niagara Falls, Mr. Hill being the sole correspondent of those two important newspapers assigned to that work. And not until the fall following did he resign from the Tribune, and the absolute lack of any connection between his separation from that newspaper and the Williams's articles is clearly evidenced by the letter from Mr. Gilbert which I have just read to you.

One more word about Mr. Williams's persecution of George Hill and I am through with that subject. The comptroller occupies nearly two pages in your record (vol. 8, pp. 581-583) by inserting one of his long, characteristic letters, written December 30, 1918, to the managing editor of the Boston Evening Transcript, with which paper Mr. Hill was then and is now connected. It is impossible to read that letter without reaching the conclusion that he hoped by writing it to "separate" Mr. Hill from that employment. It is unnecessary for me to say, gentlemen, that, as you are fully aware, the Boston Evening Transcript is one of the oldest, most reliable, conservative, and honorable newspapers in this country. To that paper Mr. Williams wrote a characteristic letter about Mr. Hill—

Senator NEWBERRY. Which Mr. Williams—Editor Williams?

Mr. HOGAN. No; not the Mr. Williams who is editor of the Transcript, but John Skelton Williams. The editor of the Transcript duly investigated the charges thus presented to him by the comptroller, and the result is—Mr. Hill still retains his same connection with the Boston Transcript that he then had.

Comptroller Williams invites the committee's attention to what he describes as propaganda in newspapers adverse to his further retention in public office, and he slurringly refers to the newspapers publishing articles against him as "unimportant country newspapers." My own opinion is that country newspapers are exceedingly important mediums of information and education in this land of ours. Mr. Williams, unable to refrain from charges against Mr. Hill, says that while he has not yet learned definitely that Mr. Hill wrote the articles about which he now complains, there is a strong suspicion that Mr. Hill did write them. Well, Mr. Hill is here in this room, and I will ask him to answer it. Mr. Hill [addressing Mr. Hill in the committee room], in the year 1919, during the time these hearings had been going on before this committee, were any of the editorials or newspaper articles which have been inserted in this record by Comptroller Williams written by you, or were you directly or indirectly concerned in their writing or their publication?

Mr. HILL. No.

Mr. HOGAN. You were not?

Mr. HILL. No.

Senator NEWBERRY. Mr. Hogan, do you care to take up the causes that led up to the resignation of Mr. Flather, the cashier of the Riggs Bank?

Mr. HOGAN. Yes, sir; I have that on my notes here.

Senator NEWBERRY. I wish you would clear up my mind about that, and also whether or not those slips that were put on the spindle in connection with the Johnson matter had anything to do with it.

Mr. HOGAN. I will do that right away. That, Senators, brings me to the exploded but constantly repeated charge against Mr. Henry H. Flather, always repeated, however, under conditions that prevent Mr. Flather from having a legal remedy for the libel that is thus committed. Mr. Henry H. Flather was an employee and officer of the Riggs Bank for 27 years. He was born in this city and lives here to-day. While with the bank he handled millions and millions of dollars of the money of the bank's depositors and correspondents. Despite the most searching auditing of his accounts there was never one dollar of shortage or any kind of criticism with respect to his honest and honorable handling of those funds. You have been led to believe that Mr. Flather resigned because he had been indicted. That is not true. His resignation was prior to the indictment. As to what brought about that resignation, as the resignation was written in my office, as I arranged that matter alone, discussed it with Mr. Flather, and handed the formal resignation to the president of the bank, I have personal knowledge of the whole transaction. An examination which we had made in August and September, 1915, of the books of Lewis Johnson & Co. disclosed that Mr. Flather's accounts there were of a speculative character. They were not anything connected with the bank. They were things in his own account; but they were speculative, and showed, in addition to purchases and sales on margin, short sales of stock. As an individual Mr. Flather, of course, had a perfect right to have such transactions, but it was the opinion of the bank's directors, the other officers of the bank, and myself as one of the bank's counsel, that a bank cashier should not have speculative accounts. I discussed this matter with Mr. Flather; told him that his fellow officers did not approve of accounts of that kind, and that they were not transactions which a bank cashier should be permitted to indulge in. Mr. Flather said that if the bank took the position that he could not speculate with his own funds on his own account, as he deemed he had a right to do, he would resign. In the latter part of September, 1915, I have not before me and do not remember the exact date, he did resign.

The charge made by Mr. Williams and by his counsel to the effect that Mr. Flather had personally profited by trading against customers' accounts with Lewis Johnson & Co. was fully aired in the criminal-court proceedings. All of the evidence upon which that charge is based was brought out by the prosecuting officers in the trial in May, 1916. In the arguments to the jury that charge was dwelt upon and paraded before the jury by District Attorney Laskey and Assistant Attorney General Fitts. They attempted to make all the capital out of it possible. It fell absolutely flat. It was made and exploded there.

Now, let me show you here why naturally the jury did not, and no impartial tribunal should, believe the charge. There were several thousand stock transactions involved, covering a long period of years. Mr. Williams and his assistants pieced together various entries in a few—I think as many as a dozen, somewhere in that neighborhood—I do not remember the exact number of these transactions

which, when thus pieced together, could be used as circumstantial evidence upon which to base the charge that Mr. Flather had in these few and isolater instances obtained a small profit which ought to have gone to his customers. The thing was perfectly inconceivable and unbelievable. This man had figured in thousands of financial transactions, he dealt with millions, his opportunities to acquire money dishonestly, if he had such a bent, extended over years and were countless. I repeat, this is a charge that was exploded at the trial. If Mr. Flather was guilty why didn't they convince the jury of it?

Now, you ask, Senator Newberry, whether there had been destroyed any papers that had anything to do with this. Not to my knowledge, ever. Nor is it conceivable how there could be, for as I have already told you, in the case of every Lewis Johnson & Co. transaction, every paper was available. The statement on this subject, which naturally brings forth your question, repeated by Comptroller Williams in his August 12, 1919, letter to the chairman of this committee, that Lewis Johnson & Co.'s advice slips were destroyed, and that these documents, if available, would have aided in establishing the guilt of Henry Flather, is shown to be so grossly false that it is difficult to restrain one's self from characterizing him, in view of the indisputable fact that every one of the papers he thus refers to, if we say nothing about those found in the bank and produced from its files, were correct and exactly like entries made in the Lewis Johnson & Co. books, all of which were in the possession of the district attorney's office and under daily examination by Comptroller Williams's examiners from the spring of 1915 to the spring of 1916. There was never, Senator Newberry, to my knowledge, so far as I know, and I have been into this case with a fine-tooth comb—there was never any document destroyed or secreted or suppressed that in any way, shape, manner, or form bore on or supported or related to that charge made against Mr. Henry H. Flather.

I invite your attention to the fact that the charge has always been most carefully made in some privileged form, where Mr. Flather is without remedy because of it, that is, without remedy unless he took personally into his own hands the matter of seeking a remedy and obtaining out of Mr. Williams his satisfaction, which an indignant citizen sometimes, improperly and hot-headedly, of course, takes in such cases. And in that connection I want to say to you, Senator, that I have at times had an herculean task to induce Mr. Henry Flather to see the unwisdom of following that, the only course open to him when these charges have been repeated since his acquittal in the perjury trial.

While on this subject I refer again to the statement of Comptroller Williams in his letter of August 12, 1919, to the chairman, charging that the reason I suggested—that the 515 pages of correspondence should not be printed in the record here, because in that correspondence appears the names of persons in private life who have no possible connection with this matter—was not the real reason, but that the publication of that correspondence would disclose fraudulent operations of Mr. Henry H. Flather, and I say to you again that this statement is a fabrication made out of the whole cloth. In the 515 pages of that correspondence you will not find a single, solitary

word or document, which by even the distortions of Mr. Williams himself will show a single fraudulent operation ever charged against Mr. Flather. I say again, as I have already stated to Senator Henderson here, that if in that correspondence, which the chairman of this committee said would be considered in executive session, but which I am perfectly willing to have published in full, with the deleting only of the names of private individuals from it, which correspondence I have shown you I tried to get before the court in the equity case, but which Mr. Untermeyer objected to having presented to the court—if there is one single, solitary line, word, charge, evidence, or document which by any possible construction shows that Henry H. Flather was guilty of any fraudulent operation with respect to any customer, either of the bank or of his own, let Mr. Williams, who has already inserted in this record page after page of that correspondence, point it out and put it in this record. It just is not there. That infamous charge was never made or suggested in that correspondence.

It is perhaps unnecessary for me to add that the Riggs Bank officers, other than the cashier, did not know themselves of what I have termed the speculative account carried by Mr. Henry Flather with Lewis Johnson & Co., until after the equity suit had been argued.

More than that, Senator, in response to Mr. Williams's attempt to have you believe that one of the reasons why he was hounding the Riggs Bank from June, 1914, to April, 1915, until he was stopped by the filing of the equity suit, was because Henry Flather had defrauded some customer or client in stock transactions, I tell you that he does not speak the truth, because the fact is, and the record conclusively proves it, that Mr. Williams did not know and was not familiar with a single entry in the Lewis Johnson & Co. accounts until after the equity suit was filed.

Senator NEWBERRY. In Mr. Laskey's testimony before the committee, he made some statement—I do not think it is particularly important now—about Mr. Flather making a profit on his own account.

Mr. HOGAN. Mr. Laskey charged that in the criminal court proceedings at the trial which was conducted in May, 1916, a year after the equity case had been argued. Indeed, Mr. Laskey made that the big issue in the criminal proceedings. In his opening statement and in his closing argument, he insisted that Mr. Flather had improperly made a profit out of customers' stock transactions, and he charged that that was one of the reasons why Mr. Flather made the disputed affidavit. He laid great stress upon that as the motive for the commission of perjury,—and a jury of American citizens answered it; and I will take the answer of such a jury any time against anything John Skelton Williams says. Not only did the jury answer it by their verdict, but when they had returned to the court room and announced the acquittal of Mr. Flather and his codefendant, man after man of the 12 jurors went over to Mr. Flather, shook his hand and expressed their confidence in him and assured him they did not believe the charge.

Senator NEWBERRY. How was the matter of the Bennett affidavit in regard to Mr. Flather disposed of?

Mr. HOGAN. It never was disposed of. You will remember that that affidavit was filed in the equity proceedings and the equity

case was never allowed to come to a trial; as a condition to getting the charter renewed, the bank was forced to dismiss that suit, and so it was never tried, and that ended the matter of the Bennett affidavit.

I will not detain you, Senators, by any further reference to the comptroller's treatment of the Riggs National Bank and its officers. For him to attempt to deny that he sought to ruin and wreck this bank is to attempt to deny the obvious.

With your permission, I will refer, in conclusion, to a few general matters brought into this record by Mr. Williams in support of the efficiency and the effectiveness of his administration as comptroller. Repeatedly he has told us that since January 1, 1918, during the stress and strain of war, there were only two national-bank failures, and he modestly points to that as an astounding record for which he is entitled to credit. Well, instead of taking a period of inflated prosperity, when billions of dollars raised by bond issues were expended in all kinds of industries, finding their way into bank deposits, greatly increasing bank resources, making not only bank failures but commercial failures exceedingly scarce, I say that instead of taking a period of inflation, suppose we take a normal period as fairer evidence of the record during this comptroller's administration. I do not say that many bank failures means that the comptroller has not been efficient, but I do say that if that is the standard—and Mr. Williams is the one who has set it up—then by his own standard again he falls.

Turning to the statistics in the annual reports of the comptroller, it will be found that in the four years of the Taft administration, from March, 1909, to March, 1913, there were 23 receivers appointed for insolvent national banks, whereas during the four years which represent the first term of Mr. Wilson, March 4, 1913, to March 3, 1917, there were 58 receivers appointed for insolvent banks. In other words, taking these two four-year periods, fairly normal, for comparative purposes, during which, while there was no stress and strain or war, there also was no tremendously inflated prosperity, you will find that the official figures from the records in the comptroller's office show that there were two and one-half times as many national bank failures in the first four years of Wilson's administration as there were in the four years of Taft's administration. Following the logic of the standard which Mr. Williams himself has given, the official record shows that in the 54 years which have elapsed since the establishment of the national banking system, 1865 to 1918, inclusive, there was a grand total of 588 receivers for insolvent national banks, an average of a little less than 11 each year. In the first four years of Comptroller Williams's administration there were 58 receivers, an average of a little less than 15 per year. In other words, taking Comptroller Williams's own standard to judge his administration by, we find that during his administration, prior to the time when war prosperity helped, national banks were failing on an average of nearly 50 per cent more each year than the theretofore established average.

Now, Senators, these figures I give you are in line with the way Mr. Williams attempts to establish comparisons by statistics. Personally I am frank to say that I do not think very much of the en-

lightening value of such statistics. Throughout this record, Mr. Williams has given you statistics which show the truth of the statement of O. Henry, from whom I quote, a statement that is apropos here: "What you've got is statistics, the lowest grade of information that exists."

Turn to the subject of Government deposits in Washington banks. Mr. Williams has pointed out that under previous administrations the Riggs Bank was favored in the matter of Government deposits. Senator Calder asked several times that Mr. Williams bring here and put into the record a statement showing the deposits in all national banks in Washington during his administration. Mr. Williams responded to that request with an elaborate amount of misleading statistical information to show the percentage of Government deposits to the resources of each national bank having such deposits. His response to Senator Calder's request for information was, as habitually, a half truth, because he omitted from the figures he used the Isthmian Canal Commission and the Philippine Island deposit, which are as a rule in normal times the largest Government deposits in Washington banks, and which have been kept since 1914 in the Commercial National Bank. He will probably claim that he does not classify the Panama Canal and Philippine deposits as Government deposits. That is precisely what they are, nevertheless; so much so that the law provides that a bank having Panama Canal deposits need not take into account, in calculating the amount of those deposits in arriving at the percentage of reserve to be maintained, the law providing that such deposits shall in that respect be treated precisely as other Government deposits.

Let me show you what the real figures on this account are: In December, 1916—and I take my figures from the official report in the Comptroller's office, a copy of which the law requires to be published—the Commercial National Bank had Government deposits including Panama Canal, Philippine, and all Government deposits, amounting to \$2,080,000. At this same time all the other 13 national banks in the District had \$1,085,000 of Government funds on deposit. The average of the 13 national banks in the District was \$83,400 of Government deposits against the Commercial Bank's deposit of \$2,080,000. Taking Mr. Williams's own method of presenting matters of this kind, this state of affairs shows this: In December, 1916, the Commercial National Bank's resources totaled \$10,220,000; the resources of all other national banks in Washington totaled at that time \$61,099,000, so that the total of Government deposits in 13 national banks in this city amounted to 1½ per cent of their resources, while at the same time the Commercial National Bank had Government deposits amounting to 20 per cent of its resources. That is what the kind of statistics that Mr. Williams is an expert in preparing for you show on this point. May I borrow one of Mr. Williams's own expressions and ask, "If that is not favoritism, what is?"

The Commercial National Bank was, during the period 1914–1916, inclusive, notorious and conspicuous in this community for failure to maintain its reserves, not only reserves on the basis of the 25 per cent requirement under the law before it was amended in December, 1913, but reserves even when the law reduced the amount required to 15 per cent. At the same time that bank was conspicuous for being favored

by Mr. Williams with the largest Government deposit in the District. His rules seem to be that as a bank continues to fail in its reserves, it should come up in Government funds; and as the published official reports show, that bank, the recipient of his favors when he was hounding and discriminating against the Riggs National Bank, was continuously violating the law as regards borrowing an amount in excess of the amount it was legally allowed to borrow. The Riggs National Bank has never complained of strict supervision. No decently run bank does, but the record of Comptroller Williams is that of persistent persecution toward some banks and favoritism toward others, or, what is the equivalent of favoritism, neglect to compel compliance with the requirements of the law on the part of some banks.

You have been told, Senators, that while there are some 25,000 bank officers, a comparatively few persons have appeared here to testify against Mr. Williams. Far more ominous is the silence of bank officials. Mr. Williams calls attention to the fact that he has been under investigation for six months. During that six months bankers' associations throughout the land have met and have adjourned in silence. It is easy to pass resolutions of commendation, and if while under this investigation this comptroller's administration had been worthy of commendation, you would have been deluged by resolutions from bankers' associations commending that administration. It is the silence of the national-bank officers; it is the silence of bankers' associations throughout the country that is ominous in this case. To have come forward and testified against him meant to subject one's self to becoming the target of his intemperate denunciation and insatiable hostility. Only recently, I am informed, in the State of Virginia, the comptroller's own State, the bankers met in convention. They must have known of this investigation of the comptroller's administration. They adjourned without sending what might have had some effect here upon the minds of Senators, a resolution commending Mr. Williams, if in the light of his official conduct they could have even thought of passing such a resolution.

The CHAIRMAN. Naturally, I do not think it would be supposed they would express an opinion one way or the other. I am frank to say that.

Mr. HOGAN. The bankers' fear to come forward and openly criticize Comptroller Williams is known of all men. Indeed, to appeal to the court for a construction of his powers was, as you will recall, termed "temerity" by John Skelton Williams himself in a formal statement he issued to the public press on April 15, 1915, the day after that date on which the Riggs National Bank, refusing to longer submit to his persecution, brought him to the bar of court.

The CHAIRMAN. We will suspend now, and if there is any matter that you wish to call to the attention of the committee later you may do so; we can not close the hearing to-day; it is possible there will be another witness here next Tuesday, if we do not close the hearing before that date, and it is also possible that Mr. Williams will want to see the concluding statement after it is printed, and the committee may think it best to give him opportunity to controvert some specific new matter that may have been introduced. I do not know

about that; that will be for the committee to decide when the time comes.

Senator NEWBERRY. Mr. Williams, if not too much work, in order to clear it up in my own mind, will you, before the hearing is finally closed, insert a statement showing the total number of banks that were not examined twice a year since you have been comptroller?

Mr. WILLIAMS. I will say this, Mr. Chairman and gentlemen, that the examinations of banks under my administration have been very much more efficient and effective than they have been before. The results, I think, show that. Under the old system you probably know the bank examiners were given a fixed fee, and it was their object to get into a bank and get out of it as soon as possible. Now they are on salaries, and they stay in and make their work much more complete and much more thorough, and the efficiency of the examination has increased so greatly that in some of the larger cities of the country the clearing house associations have given up the clearing-house examiner the formerly retained and are satisfied with the examination made by the national-bank examiners. I remember especially the city of San Francisco, where that was done several years ago.

The CHAIRMAN. This hearing will be adjourned until Tuesday next at 10 o'clock. If possible, Mr. Williams, Mr. Cromwell will be here then. I am not certain.

Mr. WILLIAMS. Mr. Chairman, may I say just one word before we adjourn? I see we have Representative McFadden here. I have only met him once in my office, when he called to discuss matters in his bank. He has made serious charges against the comptroller on the floor of the House. May I ask that he come before this committee or withdraw his charges?

The CHAIRMAN. No; we will not go into that now.

(Whereupon, at 5.40 o'clock p. m., the committee adjourned until Tuesday, September 9, 1919, at 10 o'clock a. m.)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 22, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: At the hearing before your committee on the 5th instant I submitted figures in some detail as to the number of national-bank examinations in the years 1914, 1915, 1916, 1917, and 1918, the number of banks in operation as of June 30 in each year, and I gave the percentage which the total number of examinations made each year bore to the number which would have been made if all banks had been examined twice per annum. Senator Newberry has asked that I furnish an additional statement as to the exact number of national banks not examined twice in those years, and I take pleasure in giving you the following additional data:

The Federal Reserve Act required all national banks which were members of the system to be examined twice each year, but this provision did not become operative until the inauguration of the Federal Reserve System, November 16, 1914. The first calendar year after the law took effect was therefore the year 1915.

For that year, 1915, the year which marked the beginning of the new system of examination under which the country was divided into 12 examining dis-

tricts, each under the immediate supervision of a chief national-bank examiner, there were in operation January 1, 7,539 banks.

To have examined these 7,539 banks twice would have required 15,186 examinations; that year there were 10,467 regular examinations made, and in addition 687 special examinations, making a total of 11,154 examinations, so that the total number of examinations made was slightly under 75 per cent of the number there would have been on the basis of two per bank. Four thousand one hundred and sixty-seven banks that year did not receive the second examination, but these 4,167 banks which received one examination only were each required to send to this office during that year six sworn reports of condition—in fact, all of the national banks were that year required to send in an additional sworn report of their condition, making for 1915 over 7,500 more reports than the law required the comptroller to obtain. These additional reports, besides being sworn to by the banks' officers and attested by their directors, were required to be published in their local newspapers. Upon being received here at the comptroller's office they were abstracted in the Statistical Division. Furthermore, all national-bank examiners are under instructions at each examination of a bank to go back to the last preceding report of condition furnished this office and to verify this report from the bank's books and to report to the comptroller at once any irregularities or discrepancies discovered, so that the banks are kept constantly in touch with the comptroller's office and the national-bank examiners—more closely, by far, than was ever the case in any previous administration.

I will also add that I concur in the opinion which has been expressed to me by able and experienced bankers to the effect that the national-bank examinations which are now being made are at least 100 per cent more thorough and more effective than those made under previous administrations. Abundant evidence on this point could be furnished if necessary, but as an example of the views of leading bankers on this subject it will perhaps be sufficient to quote the following extract from a letter which I received from the president of the second largest bank in Maryland, the Citizens National Bank of Baltimore, who wrote me, under date of August 8, 1918:

"I have been connected with the Citizens National Bank for over a quarter of a century, and I want to go on record as saying that the examinations that are now being made by your examiners are no more like those that were made under your predecessors than a \$20 gold piece is like a lead quarter. It is my firm belief that you have done more to further the interests of good banking methods than all of the comptrollers put together since I first entered the bank as a bookkeeper in 1892. I hope the time may soon come when practically all of our State banks and trust companies will find it to their advantage to join with us, in order that we may have one united system."

As further evidence of the high efficiency of national-bank examinations as now conducted, it may interest you to know that some of the clearing houses of the country, including San Francisco, Calif., and Nashville, Tenn., in recognition of the vast improvement in these examinations have abolished the position of clearing-house examiner, which they formerly found it necessary or desirable to maintain.

I beg leave to hand you with this for your information a copy of the form of examiner's report used prior to my administration, and the form which examiners are now required to fill up. You will observe that the old form contains 8 pages, while the present form contains 20 pages which must be filled up—more than 100 per cent larger.

On January 1, 1916, there were 7,621 national banks. Two examination per bank would have called for 15,242 examinations. There were made 11,871 regular examinations and 621 special examinations, making a total of 12,492, so that the total number of examinations made, including both regular and special, was about 82 per cent of the number required to give two examinations per bank per annum. That year there were 2,596 banks not examined twice, but we required from all the banks that year 7,621 more sworn reports of condition than the law demanded, and despite the war the number of national-bank failures for that year were reduced to less than half the average of the preceding quarter of a century, although there were far more national banks.

On January 1, 1917, there were 7,597 banks in operation, calling for 15,194 examinations. There were made that year of regular examinations, 12,582; of special examinations, 688; total, 13,270, so that the total number of examinations

made was just about 87 per cent of the number the law called for, but that year as against 2,201 banks not examined twice we required from the banks about 7,690 more sworn reports of condition, signed by their officers and attested by their directors, than the law required, and the number of bank failures was still further reduced.

In 1918, there were on January 1, 7,688 banks, so that two examinations per bank would have called for 15,376 examinations. The office made of regular examinations, 12,286; of special examinations, 788, a total of 13,074, or slightly over 85 per cent of the number required to give 2 per bank, leaving 2,507 banks not examined twice. About 7,700 more sworn reports of condition than required by law were obtained from the banks for that year.

There were 109 national-bank examiners in the service in 1914, and we have now 148 national-bank examiners, exclusive of the assistant examiners, despite the fact that the losses in the force since 1914, due to resignation, service in the Army, death from influenza and other causes have amounted to more than 100 per cent of the number of the force on hand in 1914.

As I pointed out to the committee, this office in keeping closely in touch with the national banks has gotten from them each year that I have been comptroller at least 7,500 more reports of their condition than I was required to get by the law. These reports are checked up in the Statistical Division. The chief of that division informs me that several thousand letters relative to these reports are written to the banks after each call checking up and reconciling these sworn reports.

As to the efficiency and success of the methods and policies pursued by this office under my administration I am thankful to be able to point to official figures which show that, in the deeply important matter of immunity from receivership, and the distress and losses which that usually involves, the record of the National Banks of the United States since January 1, 1918, has been about twenty times or 2,000 per cent better than for the period of 25 years immediately preceding the present administration.

I trust that the information which I am submitting herewith, together with that previously given to the committee will give you the data desired.

Sincerely, yours,

JOHN SKELTON WILLIAMS.

Mr. HOGAN. Senators, when I was privileged to appear before this committee before, you will remember, certainly those who are here this morning will particularly remember, that toward the conclusion of my statement I produced a letter, circulating throughout this country, attacking Senator Weeks. I produced a long letter circulated throughout this country attacking Mr. Wade H. Cooper; and you Senators will remember that I said—I think the phrase I used, “I am next,” and “that my appearance here will result in similar conduct, I confidently predict.”

This committee gave to Mr. Williams, with infinite patience, an opportunity to denounce his opponents and exploit his virtues without limits. After that had been done, and after Mr. Williams had announced that he was entirely through, he, on July 26, 1919, addressed a long letter to the chairman of the committee, which in part X of these hearings, was published by the chairman's direction, and then subsequent to that time, and while this committee was in recess, Mr. Williams pretended to write a letter, because its merely a pretended letter, its purpose is to circulate propaganda under privileged form, to the chairman of this committee, and he had, after he wrote that letter, which consisted of 20 printed pages—that was not sufficient—he added, because he is never through, an addenda, which made it consist in whole of 24 printed pages, and he had it printed at a private printing house, the Chas. H. Potter & Co., Inc., Washington, D. C., not to inform the Senate committee of anything,

because most of it—certainly 50 or 60 per cent of it—is a rehash of what is in the record here; he had it printed here, with over 75 large deep subheads, its purpose being to primarily, and according to its captions, to villify me. The witness who had appeared here, a purpose which is not adhered to, however. It abounds in capitals, and it shrieks with italics, and it is part and parcel of the very thing which I told the Senate committee that he who dared to come here, even at your request, would be made the object and the subject of this man's unrestrained, intemperate, libelous characteristics.

Now, Senators, before I take up—because it is necessary to take up, and I am going to do it as briefly as possible—the inconceivable statements contained in that circular, and with the official Treasury Department seal upon it, so as to give it an official guise—in that circulated screed, I am going to very briefly, as it leads up logically to what I have to call your attention to, a thing that you will stand aghast at. I shall refer to quotations which I take from your records here which show pictured and painted by himself, and not by me, the intemperate attitude of the present Comptroller of the Currency, as to each person who has dared to criticize or oppose him, and as to the party that is—a different party from him, and as to this committee.

First, Senator John W. Weeks—in giving the page references where this will be found I will not read them, because it would take time, but I will give them to the stenographer. Senator John W. Weeks is charged by Mr. Williams with having made "malevolent" efforts to discredit or injure the comptroller (Part IV, p. 383, Senate hearings). He refers to Senator Weeks's "vaunting assertions" that the Senator had received letters criticizing the comptroller's conduct (Part IV, p. 382, Senate hearings), charges the Senator with making "unjust and invidious attacks," and says he "grossly imposed upon" a Senate committee (Part IV, p. 383, Senate hearings).

Mr. Wade H. Cooper, president of two Washington savings banks, both going concerns, the condition of which concededly has improved under Mr. Cooper's presidency, is thus assailed in this record: "His testimony," says Mr. Williams, "is grossly false" (Part IV, p. 206, Senate hearings); a statement of his is "a complete falsification," and his charges are "false and generally maliciously so" (Part IV, p. 251, Senate hearings); that Cooper has made "wanton" and "willful" statements, and "wanton, willful, and unjustifiable reflections," with a "willful and deliberate intention to injure" Mr. Williams (Part IV, pp. 257, 258, Senate hearings). He describes Mr. Cooper as "a discredited local bank official" (Part IV, p. 383, Senate hearings), who has made "ridiculous and wanton and flagrant statements" (Part IV, p. 261, Senate hearings), and returning much later in his alleged testimony to the subject of Mr. Cooper he refers to "the falsifications and misstatements" deliberately made by the witness (Part VI, p. 449, Senate hearings).

Mr. E. A. Jones, an attorney from the State of Pennsylvania, Mr. Williams calls a maker of "mischievous and false charges" (Part VII, p. 526, Senate hearings), and advises the committee, "I want to denounce Mr. Jones as a contemptible and wanton slanderer" (Part VII, p. 518, Senate hearings).

reappeared. I am more or less familiar with the case up to that time. I imagine you have had several hearings at which Mr. Hogan went over the Riggs case. Now, I don't know whether any new matters were brought out, things that need explanation. I am unfamiliar with that, but I do think that the committee would feel greatly relieved if you would, in writing, submit your answer to all that Mr. Hogan has said in the last few hearings that have been presented here and that it would save the time of the members of the committee and would expedite matters and would probably mean the closing up of the hearings without Mr. Hogan or anybody else coming back, and I want to be fair with you and I want to get your opinion about the wisdom of that course. Now, perhaps there are some things that have happened that I don't know about, that really require you personally to explain, but I am leaving that to your own suggestion. I make that suggestion in a friendly way.

Mr. WILLIAMS. I would prefer to make my statement to the committee, but in deference to the wishes of the members I will adopt the suggestion which has been made and abbreviate my oral statement this morning accordingly, and submit the balance in writing.

Senator WALSH. Very well. You shouldn't consent to it, Mr. Williams, if it in any way will jeopardize or interfere with your right to present your case, but if you would do it, I am sure it would help to bring an end to the hearings and I think the committee would appreciate the courtesy.

Mr. WILLIAMS. I would be very glad to defer to your expressed wishes, Senator and gentlemen.

Senator WALSH. Am I expressing, Senator Page, what you have in mind, your wishes in the matter?

Senator PAGE. You are. I am forced to leave, because I have got other matters that I must attend to, and half past 10 I have promised to appear at another committee.

Senator WALSH. Exactly.

Mr. WILLIAMS. May I inquire, before I make my very brief oral statement, whether there are any communications or charges on complaints of any sort which have been made to the chairman or other members of the committee which ought to be considered by them in disposing of this case? Senator McLean assured me that as far as he was concerned that statements which the makers were unwilling to come openly before the committee to prove would be disregarded by him and not considered, and I feel sure that I am right in assuming that that same course would be observed by the other Senators.

Senator HENDERSON. I think you are safe in that assumption.

Senator WALSH. I suppose you are safe in the assumption that you need answer to nothing except what has been printed in the records here and that no Senator will form any opinion upon your confirmation upon other than facts that have been presented in this record.

Mr. WILLIAMS. I am moved to make that suggestion partly because of the remark made by Senator Penrose at a recent meeting. I subsequently addressed a communication to Senator Penrose on that subject and, after waiting a couple of weeks and receiving no reply, I took the liberty of writing him again, but neither of my

communications have been answered, and I, therefore, shall ask the privilege of including those two letters in the record at the proper time in the written communication which I shall address to the committee.

Senator and gentlemen, a great deal has been said in these hearings about dummy loans. At the last meeting of the committee you yourself, I think, Mr. Chairman, addressed an inquiry to Mr. Hogan in regard to those dummy loans and seeking some explanation for them. In reply to your inquiry—

(Here Senators Page and Walsh left.)

In reply to your inquiry, Mr. Hogan in explaining or attempting to explain the dummy loans which had been made for the benefit of or for account of Mr. Henry H. Flather, the former cashier of the bank, said: He first referred to the dummy loans made for the account of the president, Mr. Glover, and then said:

Second. Mr. Henry H. Flather's wife was a victim of tuberculosis. Mr. Flather had his wife at Saranac, in the hope that her life might be saved. Apparently the effort was a hopeless one, and he decided, prior to her death, to go to Saranac and stay with that little woman, the mother of his only child, until the end had come. He had a relative named Nevius here. He had Mr. Nevius—Mr. Flather took up his note, turned over his collateral to Mr. Nevius, and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly margined, the loan splendidly collateralized, with plenty of margin, so if any question might come up in his absence, could be handled by Mr. Nevius, and Mr. Nevius could do anything he wanted; but the bank loaned the money on the face of the collateral which belonged to Mr. Flather. That's another thing that characterizes a dummy loan.

Now, Mr. Chairman, I think it has been admitted that the evil practices of the bank in regard to dummy loans was one of the things which were especially condemned. If you will recall, it was the refusal of the bank to furnish information in regard to those very dummy loans to officers and to members of the families of officers which precipitated the assessment of the fine of \$5,000 which was imposed in 1915. The bank replied to that communication in regard to those dummy loans and other loans to officers and employees and claimed that they had no dummy loans or any such loans of that sort, and I think they also claimed there were at that time no other loans to officers in the bank. Parenthetically, here let me dispose of a question which Mr. — a point which Mr. Hogan made at the last hearing when he charged that I had claimed that the bank had never replied to my letter asking for information in regard to dummy loans—January 22, 1915, and that statement of his is absurd. The record shows that while he acknowledged the letter and replied in that way that he never did reply with the information or send the information which was called for and it has been patent to all that that omission to furnish information called for in the letter of January 22, was the occasion for the assessment of the fine.

Now, that is what may have impressed the committee as a plausible excuse for Mr. Henry H. Flather's dummy loans. But let me ask your attention, gentlemen, to the real facts. In a statement before the committee as reported in part 9 of these hearings, I said:

I will illustrate the character of some of the dummy loans. I will refer to the testimony of the officers of the Riggs National Bank before the national bank examiner, page 594, volume 3, of the February, 1919, hearings. Mr. Smith was the examiner conducting the examination.

TESTIMONY OF MR. HENRY H. FLATHER.

(The witness was duly sworn by Mr. Trimble.)

Mr. SMITH. Mr. Flather, you are cashier of the Riggs National Bank, are you not?

Mr. H. H. FLATHER. Yes, sir.

Mr. SMITH. In table No 5, under date of August 22, 1911, is listed a note of B. L. Nevius, jr., \$26,400; and in the same table, under date of May 23, 1914, is a note of B. L. Nevius, \$24,000, with a notation, "Renewal of balance of loan of August 22, 1911."

Mr. H. H. FLATHER. What was that last renewal?

Mr. SMITH. May 23, 1914; \$24,000.

Mr. H. H. FLATHER. What is it you want to know?

Mr. SMITH. Who got the proceeds of those notes?

Mr. H. H. FLATHER. Of this \$24,000?

Mr. SMITH. The \$24,000 is the renewal of the \$26,400, is it not?

Mr. H. H. FLATHER. I got it.

Mr. SMITH. You got the proceeds of the \$26,400?

Mr. H. H. FLATHER. Whichever one it was.

Mr. SMITH. The \$26,400 is the note dated 1911?

Mr. H. H. FLATHER. Just let me see [examining book]; 1911, is that, Mr. Smith?

Mr. SMITH. Yes; 1911.

Mr. H. H. FLATHER (examining further). Yes, sir; I got that.

Mr. SMITH. Who paid the note when it was paid?

Mr. H. H. FLATHER. I did.

Mr. SMITH. Then, all the time from April, 1911, until that note was finally paid in 1914, you were carrying a note in the bank under the name of B. L. Nevius?

Mr. H. H. FLATHER. The bank was carrying a note of B. L. Nevius.

Mr. SMITH. The bank was carrying a note of B. L. Nevius?

Mr. H. H. FLATHER. The bank was; yes sir.

Mr. SMITH. Of which you got the proceeds?

Mr. H. H. FLATHER. Of which I got the proceeds.

Mr. SMITH. And which you paid?

Mr. H. H. FLATHER. And which I paid.

Mr. SMITH. In other words, you were borrowing from the bank in the name of B. L. Nevius?

Mr. H. H. FLATHER. I was.

Mr. SMITH. That is all.

Mr. H. H. FLATHER. Of course, you did not speak about collateral.

Mr. SMITH. You own the collateral?

Mr. H. H. FLATHER. I own the collateral. I just wanted to state that.

I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock-brokerage offices.

Now, gentlemen, there is the testimony. There is the excuse which Mr. Hogan offered for Mr. Flather's dummy loans, from 1911 to 1914—on account of the illness of his wife in Saranac, where he went to be with her. Now, when Mr. Hogan made those statements, questioning, as I think I had a right to do, the correctness of any statement which he has made before the committee, I thought it pertinent to ascertain when Mrs. Flather, the wife of Henry H. Flather, passed away. I therefore made inquiry and ascertained from the department of health that Mrs. Flather had been dead more than four years before that dummy loan was made as reported in 1911, according to this testimony here. Now, I ask you, gentlemen, what you can think of the testimony of any man who would attempt in such a manner as that to impose upon your committee and to explain in such a manner—in such a way as that the dummy

loans to the former cashier of this bank? If you desire it, I can readily obtain, I have no doubt, a certificate from the department of health as to the death of Mrs. Flather; I suppose that is unnecessary; but I am informed by the department that her death occurred more than four years before those dummy loans to which Mr. Hogan refers and which are referred to in the testimony there, were made.

I hardly think it is worth while for me to take up much of the time of your committee in descanting on such an incident as that.

Mr. Chairman, you made inquiry of me in regard to the examinations of the banks. At the last meeting of the committee Witness Hogan consumed much time before your committee with a malicious assault upon the Comptroller's Bureau for its alleged omission to make each year the two examinations of all national banks. I fully explained to your committee the reasons which made it impracticable to comply immediately with the provisions of the section of the Federal reserve act which directed that there should be two examinations made each year of all national banks, and I will again state briefly the situation in this respect. Before the passage of the Federal reserve act the national-bank examiners were paid upon the fee system, and not upon a salary basis. The tendency was to complete the examination as quickly as possible and then go to the next one. The maximum fee allowed to examiners in many cases was wholly insufficient to pay examiners for the time which an effective examination would require. It happened also that in some of the smaller banks where the fees were light, conditions were such as to demand careful investigation and many days of the examiner's time. A conscientious examiner, therefore, frequently found that the amount which he received as a fee was wholly insufficient to pay his expenses and board bills involved in the examination of some banks. On the salary system, examiners are instructed and required to devote to the examination all the time that is necessary to make the examination thorough and efficient and to protect the interests of depositors and shareholders.

The Federal reserve act was approved on December 23, 1913, but it was not until November 16, 1914, that the new system went fully into effect, and shortly thereafter the entire system of national-bank examinations was revised. The country was divided under my administration of the Comptroller's Bureau into the 12 examination districts, each in charge of a chief examiner under whose immediate supervision the field examiners worked. It was thought wisest to put into effect properly the plan of thorough examination of national banks, rather than to continue even temporarily the old system under which many hasty and incomplete examinations have been possible. And we then proceeded to build up and increase the examining force, selecting and training men for work as examiners. In the year 1914 there were in operation on June 30, 7,525 national banks. The total number of national-bank examinations made for that year, including 553 special examinations, was 13,713, or about 91 per cent of the number of examinations contemplated by the amendment to the law. In the calendar year 1915, being the first calendar year after the inauguration of the Federal Reserve System, and while the country was being redistricted and adjusted to the new methods of examination, the number of bank examinations was 11,154, including 687 special examinations.

Senator HENDERSON. Right there, please. Do I understand Mr. Hogan charged you with failure to make these examinations all over the country, or did he limit it to the District of Columbia?

Mr. WILLIAMS. I understood, Senator, that he charged delinquencies all over the country. That was my understanding of the testimony, and I was asked to present figures for the whole country.

The CHAIRMAN. I asked Mr. Williams to submit a list of each year since he had been the comptroller of the total number of banks and the number of banks in which the statutory examinations have been made in each year.

Mr. WILLIAMS. And I am now giving that list.

Senator HENDERSON. I was under the impression Mr. Hogan simply referred to the District of Columbia in his first statement here.

Mr. WILLIAMS. Well, his first statement, yes; but not I think in his last, as I recall; but anyhow I was requested to present the figures for the whole country, which I am doing now. In the calendar year 1915, being the first calendar year after the inauguration of the Federal Reserve System, and while the country was being redistributed and adjusted, the number of nation-bank examinations was 11,184, including 798 special examinations, but while we were somewhat behind in examinations by the examiners I ask your special attention to the fact that the Comptroller's Bureau obtained in the year 1915, 7,645 more sworn reports of condition from the national banks themselves than had been gotten in previous years, and these reports were all examined and analyzed, thus keeping the office in closer touch with the banks. In the year 1916 there were 7,579 national banks in operation June 30, and a total of 12,492 national-bank examinations, including 621 special examinations, made in that year.

The CHAIRMAN. Exactly what do you mean by special examinations?

Mr. WILLIAMS. Examinations beyond the number required by law. If the bank seems to be in a condition requiring a special examination, an examiner is sent there.

The CHAIRMAN. If the bank's condition is not satisfactory to you?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Without asking you to do it now, couldn't that be simplified by giving just the two sets of numbers I asked for later—showing the number of banks that had two examinations each year?

Mr. WILLIAMS. Certainly. You may find here all that you want when I get through. In the year 1915 there were 1,579 national banks in operation, and a total of 12,492, including 621 special examinations in that year, the aggregate number of examinations amounting to about 82½ per cent of the amount contemplated by law. While there was a shortage in the number of examinations by examiners, attention is called to the fact that in 1916 we obtained from the banks 7,584 sworn reports of the conditions beyond the number required by law.

The CHAIRMAN. Of course, the bank examiners had nothing to do with the making of those sworn reports.

Mr. WILLIAMS. They were examined by the Comptroller's Bureau in Washington and the banks were communicated with if they needed attention. In the year 1917 there were 7,604 national banks in opera-

tion June 30, and 13,274 examinations, including 682 special examinations, in that year—87 per cent of the examinations required by law. In the same year also the Comptroller's Office kept closely in touch with the condition of the banks by securing from the national banks 7,662 more sworn reports of conditions than the law required. On June 30, 1918, there were 7,705 national banks, and during that year 13,074 examinations were made, including 788 special examinations, the examinations made covering about 85 per cent of the number contemplated. As against a shortage of about 15 per cent in the number of national bank examinations provided for by law, I call attention to the fact that in 1918 the Comptroller's Bureau secured from the banks 7,767 more sworn reports of conditions than the law required. In the year 1914 only 4 national banks were not examined; in 1915, 11; 1916, 7; 1917, 5; and in 1918, 15.

The CHAIRMAN. Not examined at all?

Mr. WILLIAMS. No. Out of about 7,600 or 7,700. Since 1914 we have lost by resignation or otherwise 109 national-bank examiners—more than the total number on duty in 1914. These losses arose largely from two causes—entrance into the Army and resignations to take positions with banks. The training which national-bank examiners received in this bureau seems so highly regarded in the banking fraternity, that the ranks of examiners are constantly depleted by the alluring offers made examiners to become officers of important banks in the different sections of the country, not only in the field but among the chief bank examiners, about two-thirds of whom during the past two years resigned to accept important positions with leading banks. With regard to examinations in the District of Columbia, I beg to advise that there were in the District in 1914 57 banking institutions, including national banks, saving banks, trust companies, building and loan associations, subject to examination by this bureau. In 1913, before my incumbency in office, these institutions, required to give two per bank, and received only about 75 per cent of the number of examinations. In 1914, under my administration, they received about 84 per cent; in 1915, about 68 per cent; in 1916, about 74 per cent; in 1917, about 84 per cent; in 1918, about 77 per cent. Number of examinations made in 1913 being 85; 1914, 96; 1915, 78; 1916, 90; 1917, 106; 1918, 100. During the period of my administration as comptroller—rather let us say from January, 1914, to June 30, 1919—this bureau has received and analyzed reports of examiners and reports of conditions of the banks under its supervision approximately 315,000 reports, an average of about 58,000 reports per annum.

I also call your attention to the fact that the total number of reports received and examined by this bureau in this period exceeds by more than 35,000 the number which it was required to obtain by law.

The CHAIRMAN. Mr. Williams, if you will please send to the committee to accompany that statement the information that I asked for, which was the number of banks each year that had had two examinations as required by law.

Mr. WILLIAMS. Yes.

In a statement before this committee on September the 2d the witness Hogan requested that I be called upon to produce nine sets

of documents and papers of different kinds, including copy of my private diary, relating to the Riggs controversy, and then made the bald statement that if those documents should be furnished, "There will be found not only refutations of but mathematical demonstrations of the culpable falsity of many of the all important allegations put into this report by Mr. Williams." He also boasted that he would "demonstrate to this committee beyond peradventure of a doubt or possibility of cavil when Mr. Williams brings in a statement alleged to be based on the record. The statement is in 99 per cent of the instances entirely false." I have responded fully with this request for papers in accordance with the call of this committee and the documents are now before you, but these documents so far from refuting my previous testimony or showing inaccuracies in former statements all prove the brazen falsity of the statements made by Mr. Hogan. It was at the hearing on September 4 that the document and papers which the committee requested me to present were presented. The list of loans made by the various national banks in the District to their officers, employees, and directors was submitted so as not to disclose as to banks other than the Riggs the amounts which they were respectively lending to officers, employees, and directors. The Riggs Bank was identified so that the comparison might be made by the committee as to the standing of the Riggs relative to the other banks of the District which I understood was what was desired.

The reports of the national-bank examiners from which tables were drawn were also laid before the committee for use in executive session if they desired them, and also for executive use there were submitted copies of letters written to other national banks regarding loans to their officers and directors covering the period requested. The only other information which was submitted for use in executive session, as I recall, were the leaves from my private diary. I informed you that the pages which I presented to you at that time were for use in executive session if you should desire to cover all entries made by me in that diary relating to correspondence or conversations had by me with either the Secretary of the Treasury or any other Treasury official, the Attorney General or any other official of the Department of Justice, any officer or officials of the Riggs National Bank relating to the Riggs Bank controversy and litigation.

As you have indicated, Mr. Chairman, upon more than one occasion that it may be well for me to deny specifically each charge made against me which is untrue, that it may be necessary for me to impose upon your patience by calling to your attention some of the additional misstatements made by the witness Hogan. I desire to denounce any charge which reflects in the least degree upon the integrity and fidelity of my administration, and if by chance there is any charge or complaint in the past which has not been specifically denied, I ask that it be brought to my attention and I will expose its falseness. Referring to some of the loose and false statements made by Mr. Hogan, I find that on page 6, testimony of September 4, charges that I was denouncing "the Riggs National Bank and its officers for the sole reason that the bank officers had loans with their own institution." The record of the Riggs Bank teems with flagrant instances of violation of law and of regulations of the Treasury Department.

The records also show that in the matter of loans to their officers that no other national bank in Washington prior to the time the Riggs Bank was required to reform ever approached in that respect the offenses of which the Riggs Bank was guilty. The record further shows that when other national banks were found to be lax in that respect they were promptly warned and criticized. Mr. Hogan's claim, on page 7 of the hearings of September 4, that the records show that the comptroller was "the instrumentality through which other banks in the District habitually short in their reserves were having constantly increasing Government deposits" is entirely false and wholly incapable of substantiation.

Mr. Hogan attempted to misrepresent Examiner Trimble's testimony, and to confuse the occasion on which he was subpoenaed with the visits it was necessary for him to make to the district attorney regarding the developments of his investigation.

This office has presented the statement called for showing work upon which Examiner Trimble was engaged in 1915 and the several months when he was occupied in unraveling the thousands of unlawful transactions engaged in by the Riggs National Bank and its officers, including the transaction in which the cashier of the bank had defrauded customers of the bank for whom he was acting, or supposed to be acting, in a fiduciary capacity.

In the hearing on September 4 Mr. Hogan recharged that the Riggs Bank had been subjected to persecution because two of its officers had opposed before the committee my confirmation as comptroller. He claims that the comptroller's determination to stop the unlawful and irregular practices of the bank was wholly spite work. His suggestion is scarcely worthy of notice. Since I have been Comptroller of the Currency it has been my aim and object to administer my office without fear or favor and to require all banks, large and small—those claiming to possess the largest degree of "pull" as well as the most defenseless or most obscure—to obey the law of the land and conform to the principles of sound banking, and the many thousands of letters of criticism which this office writes yearly will bear witness to this fact. Where violations of law are discovered by examiners they are fully reported to the Department of Justice. This office has nothing to do with their prosecution beyond furnishing the results of the examiners' investigations and having examiners testify when called upon to do so by the Department of Justice. It is true that three of the officers of the Riggs National Bank were indicted for crime and upon trial they were acquitted. Hundreds of other officers of national banks have also been indicted as result of investigations by national-bank examiners, and the official record shows that in the four years ending November 1, 1918, 174 presidents, vice presidents, cashiers, and others were convicted and sentenced to various terms of imprisonment and fined for violation of criminal laws in bank cases. None of the officers thus sentenced had ever testified against the Comptroller of the Currency before a Senate committee, and the officers of the Riggs National Bank who opposed my confirmation and were indicted for perjury were eventually acquitted after Mr. Hogan took the stand and admitted it was his deft hand that drew the affidavit and that it was upon his advice they had signed the affidavit.

On pages 12 and 13 of the hearings of September 4, in response to a question from the chairman to Mr. Hogan as to what he expected to show by the production of my diary, the witness declared that he expected to prove that my statement that I took no part in endeavoring to bring about the indictment of the Riggs Bank officers was incorrect, and he adds that my divers statements regarding myself and my activities would be sufficient disclosures to show just what I did in that regard and what my motives were.

On page 21 of the same hearings, referring to entry in my diary, May 21, 1917, Mr. Hogan said:

The May 21st, 1917, entry in this loose diary shows the information I want for other years, which is this: When Mr. Williams was endeavoring to have these men indicted for in any manner being concerned with the Riggs National Bank or its officers he put in his loose-leaf diary what he did and what he said with the commendations of his actions during the years 1914, 1915, and 1916, when this prosecution was going on. That would be very enlightening, and the elaborate excerpt of May 21, 1917, just read proves conclusively they must be there.

The CHAIRMAN. Was not that all stricken out—all reference to your diary and the quotation from it?

Mr. WILLIAMS. I am quoting from the record of the proceedings which was handed me. The extract itself was stricken out but not Mr. Hogan's comment upon it.

The CHAIRMAN. My understanding was that the chairman, Senator McLean, had it all stricken out.

Mr. WILLIAMS. No; the record is here, Mr. Chairman, and this remains in it. Now, Mr. Chairman, for the enlightenment of the committee, I propose to read, including names of individuals, except in cases where it may seem improper to use the names without their permission, in every entry in my diary for 1914, 1915, and 1916 regarding the Riggs Bank controversy concerning conversations on correspondence with either the Secretary of the Treasury or any other Treasury official, the Attorney General or any other official of the Department of Justice, or any officer or director of the Riggs National Bank.

The CHAIRMAN. In accordance with Senator Henderson's suggestion, which met with the approval of the other members of the committee present, my understanding is that extracts from your diary should not be put in unless the entire diary was given us for publicity. The committee, in other words, did not wish to take your diary in executive session and pry into your personal private thoughts.

Mr. WILLIAMS. I am perfectly willing to give the committee all of these entries that I refer to, but not to publish them out of deference to others I would prefer we should go into executive session and that they be not published; but, however, if you—

The CHAIRMAN. I would like Senator Henderson to express himself.

Senator HENDERSON. My suggestion was that in view of the fact that Mr. Hogan had made that statement relative to your personal diary, that you make it over to the committee to use at any time they want to use it. That would close that incident and show your good faith and willingness to submit to the committee anything in it in regard to his charge.

Mr. WILLIAMS. Now, Mr. Chairman, if you desire to do so, may I suggest that the committee hold in abeyance its desires or wishes as

to such portions of that diary as I suggest should go into executive session, but I would like the opportunity, for the information of the committee, in view of the statements of Mr. Hogan which have gone into the record, to read several of those entries.

The CHAIRMAN. Of course, the committee does not wish to interfere in the slightest way with your own method.

Senator HENDERSON. No; but this is the whole question there. If you are going to submit one portion of your diary, Mr. Hogan will have the right to ask to examine the whole diary.

Mr. WILLIAMS. I am perfectly willing that the committee in executive session shall have the confidential as well as the other portions, but I would like to bring out certain extracts from that diary which I see no objection to giving publicity to.

Senator HENDERSON. I do not see the need of that. That is how the matter stands in my mind now.

Mr. WILLIAMS. Mr. Chairman, then I ask this privilege, anyhow. In view of the statements in the record of Mr. Hogan relating to this particular entry of May 21, 1917, I ask permission to reproduce that. I think that is fair.

The CHAIRMAN. I could hardly reverse the attitude of the committee expressed by the chairman that it was to be stricken out. I think your position is perfectly correct. You have submitted your diary in toto—placed it before the committee—and, if my recollection is good, that the committee was satisfied with your submission of the diary and asked if you would take it away, as they did not wish to pry into it. I think if you will kindly omit the quotations from the diary—

Mr. WILLIAMS. Well, this is a very extraordinary position to be put into, for the committee—for the witnesses of the other side who had clamored for the diary, or rather, for the committee to be declining or unwilling to put it in and for me to be offering it so freely.

The CHAIRMAN. The attitude of the committee, it seems to me, is entirely complimentary to yourself, Mr. Williams, and certainly no reflection on you. They acknowledge receipt of the diary, and are satisfied with its submission without printing it.

Mr. WILLIAMS. Well, then, Mr. Chairman, we will lay aside that question for the moment, and I ask permission to introduce a telegram which I sent to Gen. Charles G. Dawes, former Comptroller of the Currency, on September 8, 1919. I want to frankly state to you that this telegram which I have addressed to Gen. Dawes relates to that entry in my diary, but as the telegram has not an answer in the diary, and as it has occurred since the meeting of the committee, with your permission I should like to read that telegram and his reply.

The CHAIRMAN. I have no objection at all.

[Telegram.]

TREASURY DEPARTMENT,
Washington, September 8, 1919.

Gen. CHARLES G. DAWES,
Waldorf-Astoria,
New York, N. Y.:

At recent meeting Senate Banking and Currency Committee, Hogan, former attorney for Riggs Bank, asked that I be requested to submit to committee my personal diary with special reference to entries relating to Riggs controversy.

I have expressed to committee my willingness to comply so far as I am concerned. In my diary, under date of May 21, 1917, I find an entry to the effect that you had called that morning to pay your respects, that being the first time you had been in Washington since I had been comptroller, and had commended my administration of office and had stated that in the Riggs Bank case you had taken pains to read both sides and thought I had clearly demonstrated correctness my position; that you also highly commended Secretary McAdoo's administration of Treasury and thought he would go down in history as one of the great men of the time. May I ask if you have any objection to my including diary entry relative to your visit with other excerpts from diary which I intend to lay before committee? Am gratified to inform you that although investigation has been going on off and on over six months, not a single one of the 85,000 officers and employees of about 8,000 national banks under my supervision has appeared voluntarily before committee to make complaint, and testimony of only national bank executive officer who has appeared in response to summons from committee was shown to be substantially false from start to finish. Regret sincerely that I was absent a few days ago when you called at comptroller's office. Let me take this occasion to offer you my warm congratulations upon the splendid services you rendered our country in France in the hour of need and upon the unselfish patriotism and excellent ability which have characterized your work.

JOHN SKELTON WILLIAMS.

ANSWER OF GEN. CHARLES G. DAWES.

[Western Union Telegram.]

JOHN SKELTON WILLIAMS,

Comptroller of Currency, Washington, D. C.:

Telegram received. Have no objection to your quoting diary.

CHARLES G. DAWES.

The CHAIRMAN. Is that a personal telegram or official business?

Mr. WILLIAMS. Personal, and the answer is.

Senator HENDERSON. That refers, of course, to the entry made on May 21 that you read here some days ago?

Mr. WILLIAMS. Yes.

Senator HENDERSON. Did Mr. Hogan make any special reference to that before you read it?

Mr. WILLIAMS. No; but he commented on it after I had read it. This comment of his is what I have just read a few minutes ago. Then, I had expected, Mr. Chairman and gentlemen, to follow that up with the other excerpts, but I understand it is your wish that I should pass those by.

On page 12 of the testimony of September 5 Mr. Hogan claims that I sent to the committee certain letters and communications after I had announced that "I was entirely through." That statement is entirely untrue. I never represented to this committee that I had completed my answers to the many false statements which were being presented to your honorable committee, but, on the contrary, when your committee adjourned in July it was with the expressed understanding that I should have the opportunity of putting into the record further statements. This the record clearly shows. Mr. Hogan on different instances consumed much of your valuable time listening to his repetition of my denunciations of the false statements with which he and other witnesses have crowded this record. I now declare that I consider the strong language I have used well justified, and also call attention to the fact that my strong denunciations of his false statements have been fully warranted. I think the committee has noted the savage, persistent, and vindictive character of the attacks upon me.

Mr. Hogan next takes up the perjury case and charges that I was responsible for the indictments and, second, that Mr. Untermeyer offered to prevent the indictment of the Riggs's officers if the Riggs's officers should resign, and that, third, that I was cognizant of that offer. All three statements are wholly untrue, as the records will show. I ask your attention to the following excerpts from the testimony by Mr. Lasky, pages 388 and 389 of these hearings. Mr. Lasky testified as follows:

That affidavit stated that "the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time, from its organization to the present, ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bank or firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales those entries are false."

At the time the affidavit was read, or the day after it was presented, it was called to the attention of the court that it was a serious matter; that it presented a direct contradiction between the two affidavits, and either one was false or the other was false.

After the argument of the case was over, the court, Mr. Justice McCoy, spoke to me about that affidavit and stated that in his opinion it was a matter to be presented to the grand jury.

There, gentlemen, is the statement of the district attorney that it was the judge hearing the equity trial who first suggested that that affidavit should be presented to the grand jury. Continuing to quote Mr. Lasky:

There was an investigation made, the records of the bank were searched to trace the stock transactions referred to in the Wesley Bennett affidavit, and the results of those investigations were communicated to me. It was my duty, of course, to consider whether or not that affidavit was false and whether it was willfully false. I conferred with the then Attorney General, Mr. Gregory, and in an interview I had with him at which no one was present but him and myself, he stated that it was for us—that is, himself and myself—to determine whether or not the matter should be presented to the grand jury, and that he would rely upon my judgment, after an investigation of the facts, as to whether or not the affidavit was false, and willfully false.

I made such an investigation, and told him that in my opinion it was willfully false. He told me then to proceed as I would in any other criminal case, and said that if I needed any assistance from the department he would give it to me. I told him I would like to have Mr. Flitts participate in the case, and he said he would assign him to it.

The matter was presented to the grand jury, and the grand jury presented the defendants.

I ask for the insertion here of the indictment of three officers, Charles C. Glover, W. J. Flather, and H. H. Flather.

[In the Supreme Court of the District of Columbia, holding a criminal term. April term, A. D. 1915.]

DISTRICT OF COLUMBIA, ss:

The grand jurors of the United States of America, in and for the District of Columbia aforesaid, upon their oath do present:

That at the time of the commission in the office in this indictment herein-after set forth, and at the District of Columbia aforesaid, there was pending before and within the jurisdiction of the Supreme Court of the District of Columbia, in the equity division thereof, a certain cause in which the Riggs National Bank, of Washington, D. C., was plaintiff and John Skelton Williams, as Comptroller of the Treasury of the United States, William Gibbs McAdoo, as Secretary of the Treasury of the United States, and John Burke, as Treasurer of the United States, were named as defendants; said cause being numbered equity 33360 upon the docket of said Supreme Court of the District of Columbia.

That a bill of complaint has been filed in said cause by the plaintiff, in which among other things, it was alleged that the said defendants, John Skelton Williams and William Gibbs McAdoo, had confederated, combined, and conspired so to use and abuse and exceed the powers conferred on them by the laws of the United States as to impose upon the said plaintiff unlawful, excessive, and ruinous penalties, and entirely to cut off the plaintiff from certain large bank deposits theretofore held by it, and greatly to injure and destroy the business of said plaintiff; and that it was the purpose and intent of the said defendants, John Skelton Williams and William Gibbs McAdoo, willfully and maliciously to inflict irreparable injury upon the plaintiff, in defiance of the official oaths of said John Skelton Williams and said William Gibbs McAdoo, and wrongfully to subject the plaintiffs to their uncontrolled and arbitrary actions, which were unauthorized by any law and in violation of plaintiff's property rights in the premises, and thereby impair, confiscate, or destroy the same. That the said bill of complaint further alleged that the said defendants, John Skelton Williams and William Gibbs McAdoo, had persecuted the plaintiff for the purpose of destroying the business of said plaintiff, and thereby the said defendants, John Skelton Williams and William Gibbs McAdoo, had prostituted their high public offices and violated their oaths in order to vent their personal vindictiveness against the officers of said plaintiff bank; that the defendant, William Gibbs McAdoo, had discontinued the plaintiff bank as a depository for Government funds, and had forced the withdrawal and withholding of certain large deposits from said plaintiff bank, in a deliberate attempt to wreck said plaintiff bank, in execution of the said conspiracy existing between said William Gibbs McAdoo and said John Skelton Williams for that purpose, arising out of the personal hatred by said defendants, John Skelton Williams and William Gibbs McAdoo, of certain officers of said plaintiff bank. That the said bill of complaint further alleged that out of a personal, malicious, vindictive, and arbitrary purpose to injure and harass the plaintiff bank, the said defendant, John Skelton Williams, had notified the said plaintiff bank that he, the said John Skelton Williams, as Comptroller of the Currency of the said United States, until further notice, would refuse to approve the said plaintiff bank as a depository for the reserves of other national banks. That the said bill of complaint prayed for relief, among other things, to the effect that the defendant, William Gibbs McAdoo, might be enjoined during the pendency of said cause, as well as also permanently, from aiding, assisting, or abetting the defendant, John Skelton Williams, in any manner whatever, in any of the matters and things complained of in said bill of complaint; and that the defendant, John Skelton Williams, might be enjoined during the pendency of said cause, as well also permanently, from revoking the plaintiff's designation as a depository for the reserves of other national banks; or from refusing to approve the plaintiff bank as such depository; and that if the said John Skelton Williams had in form revoked such designation, or had in form refused such approval, such revocation or refusal might be decreed to be null and void.

That upon the filing, as aforesaid, of said bill of complaint an order was issued by said Supreme Court of the District of Columbia in said cause, requiring, among other things, that the said John Skelton Williams show cause why he should not be enjoined, pending said suit, from revoking said plaintiff's designation as a depository for the reserves of other national banks, or from refusing to approve the plaintiff bank as such depository; and that the defendant William Gibbs McAdoo show cause why he should not be enjoined, pending said suit, from aiding, assisting, or abetting the defendant John Skelton Williams, in any manner whatever, in any of the matters or things complained of in said bill of complaint.

That in answer to the said order of the said Supreme Court of the District of Columbia certain affidavits were filed in said Supreme Court of the District of Columbia in behalf of said defendants John Skelton Williams and William Gibbs McAdoo; that is to say, there were filed in said cause, among other affidavits, the affidavit of said defendant John Skelton Williams, the affidavit of said defendant William Gibbs McAdoo, and the affidavit of one Wesley M. Bennett.

That in said affidavit of the said defendant John Skelton Williams, among other things, the said John Skelton Williams denied that he had conspired with the defendant, William Gibbs McAdoo, Secretary of the Treasury, in any manner whatever to injure or destroy the said plaintiff bank, or that he, the said John Skelton Williams, had any such intention, or that any of his acts as Comptroller of the Currency of the United States was caused by

malice, hatred, or ill will toward said plaintiff bank, or its officers, or any of them; and the said John Skelton Williams in said affidavit stated that, on the contrary, each and every act of him, the said John Skelton Williams, complained of in said bill of complaint, was done by him, the said John Skelton Williams, in the honest performance of his duties as Comptroller of the Currency of the United States and in the best exercise of his judgment and discretion; that upon an examination into the affairs of plaintiff bank, he, the said John Skelton Williams, had learned that the said plaintiff bank had continuously conducted a large and extensive stock-brokerage business, and had bought and sold stocks and other securities, both for itself and on commission for others; the said plaintiff bank had publicly advertised itself as engaged in the business of buying and selling stocks and bonds for customers; that said business conducted by a national bank was conducted in violation of law; that the said plaintiff bank had been admonished, in the years of our Lord 1903, 1904, and 1906; that the said stock-brokerage business was beyond the powers of said bank and should not be continued; that when so admonished in the year of our Lord 1906, the said plaintiff bank adopted methods of conducting said business whereby various officers of the said bank, to wit, one Charles C. Glover, president of said bank, one William J. Flather, one of the vice presidents of said bank, and one Henry H. Flather, cashier of said bank, were to carry on the stock-brokerage business in their own names and from time to time were to give to the said bank the profits therefrom, and accordingly thereafter so conducted the said stock-brokerage business; and that the action of him, the said John Skelton Williams, in refusing to approve the said plaintiff bank as a depository for reserves of other banks, was based, in part, upon the said unlawful conduct of stock-brokerage business by said bank, and was done in the exercise of the best judgment of him, the said John Skelton Williams, as Comptroller of the Currency of the United States.

That in said affidavit of the said defendant, William Gibbs McAdoo, among other things, the said William Gibbs McAdoo denied the charges of his having conspired with the said defendant, John Skelton Williams, to injure the plaintiff or its business; and denied that he, said William Gibbs McAdoo, had openly or publicly, or in any other way, manifested or entertained personal malice or ill will toward or against the said plaintiff or any of its officers; that he, the said William Gibbs McAdoo, had been informed that the said plaintiff bank and its officers had been, or were, conducting a stock-brokerage business within the bank, contrary to the national banking act, and by evasive means; that a large part of the resources of said bank was being employed in carrying speculative accounts secured by stocks and bonds; that the said bank was doing a far smaller proportion of commercial business, compared to its deposits and resources, than any other national bank in Washington, D. C., although the deposits in said plaintiff bank were larger than those of any other national bank in said District of Columbia; at he, the said William Gibbs McAdoo, finally reached the conclusion that it was not in the public interest to deposit Government funds in the plaintiff bank, or to advise their deposit in said bank, because, among other reasons, he, the said William Gibbs McAdoo, did not believe that funds of the Government should be placed in banks in which the officers were conducting a stock-brokerage business within the bank and using such funds, directly or indirectly, for the carrying of speculative accounts in stocks and bonds, in violation of the spirit, if not of the letter, of the national-bank act, and especially when such funds could be employed with greater benefit to the public by depositing them in banks that would use them for legitimate commercial purposes.

That for the purpose of showing that the said plaintiff bank had conducted a stock-brokerage business as in the said affidavits of said John Skelton Williams and said William Gibbs McAdoo alleged, and in order to show the nature and extent thereof there was filed, as aforesaid, the said affidavit of said Wesley M. Bennett and there was attached thereto and filed therewith a certain transcript of an account as it appeared upon the books of a certain stock-brokerage firm known as Lewis Johnson & Co. between the said Riggs National Bank and the said Lewis Johnson & Co., which said transcript of account showed certain stock transactions between the said Riggs National Bank and the said Lewis Johnson & Co.

That upon the questions and issues arising in said cause upon the allegations of the said bill and the averments of the said affidavits as hereinbefore set out, as well as upon other questions and issues involved in said cause, it became and was material matter before said Supreme Court of the District of

Columbia to determine whether or not the said Riggs National Bank of Washington, had conducted a stock-brokerage business and had bought or sold stock from or through the said Lewis Johnson & Co., and, in connection therewith, to determine whether the books of said Lewis Johnson & Co., wherein they indicated that said Riggs National Bank had bought stock, or sold stock, from or through said Lewis Johnson & Co., were true accounts and entries of transactions, or whether they were false accounts and entries of transactions.

And the grand jurors aforesaid, upon their oath aforesaid, do further present:

That on, to wit, the 19th day of May, in the year of our Lord 1915, and at the District of Columbia aforesaid, one Charles C. Glover, one William J. Flather, and one Henry H. Flather, each late of the District of Columbia aforesaid, in the said cause, pending, as aforesaid, before and within the jurisdiction of the said Supreme Court of the District of Columbia, feloniously, willfully, falsely, maliciously, and corruptly, before one Bessie B. Sheehy, she, the said Bessie B. Sheehy, then and there being an officer and person competent to administer such oath, that is to say, then and there being a notary public in and for the said District of Columbia, and said cause being a case in which a law of the United States authorized such oath to be administered, did take oath that the certain written declaration, deposition, and certificate (hereinafter referred to as declaration), by the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather subscribed, was true; and said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, having taken the said oath as aforesaid, did feloniously, willfully, falsely, maliciously, and corruptly, and contrary to said oath, then and there state and subscribe matter material to the questions and issues in the said cause pending, as aforesaid, which they, the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather then and there did not believe to be true; that the said declaration was, in substance, as follows:

"Charles C. Glover, William J. Flather, and Henry H. Flather, being first duly sworn, on oath say that they are, respectively, the president, one of the vice presidents, and the cashier of the Riggs National Bank; that they have been connected with that institution since the first day of its organization as a national-banking association; that the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time from its organization to the present ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false; these affiants, on information and belief, say that an examination of the books of Lewis Johnson & Co. since that firm was declared bankrupt has shown many fictitious accounts, and the use of many accounts for the false entries of alleged transactions."

That the said declaration was false in certain matters material to the questions and issues in said cause pending, as aforesaid, in this, to wit, that said declaration stated that the said Riggs National Bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co., whereas, in truth and in fact, the said Riggs National Bank, on divers days and times between, to wit, the month of June, in the year of our Lord 1909, and the month of October, in the year of our Lord 1913, had bought and sold stock from and through the said firm of Lewis Johnson & Co.; that said declaration further stated that if there were any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purported to show that the Riggs National Bank bought stock or sold stock, these entries were false; whereas, in truth and in fact, the entries on the books of the said firm of Lewis Johnson & Co. purporting to show that the said Riggs National Bank bought stock and sold stock were true entries, and not false as in said declaration stated; and the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, at the time of subscribing the said declaration and taking oath that the matters therein contained were true, well knew the said declaration to be false, as aforesaid; and so the grand jurors aforesaid, upon their oath aforesaid, do say that the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, on the day and year aforesaid, and at the District of Columbia aforesaid, did commit willful and corrupt perjury, against the form of the statute in such case made and provided, and against the peace and government of the said United States.

Attorney of the United States in and for the District of Columbia.

The CHAIRMAN. Can you make the circumstances a little more clear and state the verdict, to be perfectly fair?

Mr. WILLIAMS. Certainly.

Senator HENDERSON. May I ask one question there? What is the purpose of putting the indictment into the record?

Mr. WILLIAMS. The indictment is quite full and gives the grounds upon which the indictment was based as appeared to the grand jury.

The CHAIRMAN. I do not see—you are the best judge of what would help your own situation, but you pick out three innocent men who have been acquitted of what you describe as a crime for the purpose of publishing a charge against them, does not seem quite consistent with your attitude of fairness.

Mr. WILLIAMS. The records show, I think, Mr. Chairman, that the verdict of acquittal was rendered after Mr. Hogan had taken the stand and had admitted or stated that he drew the affidavit, and that it was on his advice that it was signed by those three men. I want to be entirely fair about this matter. I do not think there is any fairness whatsoever shown by the witnesses who crowded this record with these misstatements and unfair charges, but I do not care to press this now.

The CHAIRMAN. No objection on the part of the committee?

Senator HENDERSON. I would suggest, Mr. Chairman, then, in view of the fact that there are only three of us present, that the offer made by the witness be submitted to the chairman for action by the chairman.

The CHAIRMAN. Make a note in the record there, please.

Mr. WILLIAMS. The testimony of the district attorney has never been impeached. Mr. Untermeyer himself has given testimony contradicting the stories of Mr. Hogan. The third person interviewed was Mr. Cromwell, of New York. Mr. Untermeyer has stated to your committee that he had an interview with Mr. Cromwell, and every effort has been made, I understand, to have Mr. Cromwell come down to Washington to substantiate, if he would, Mr. Hogan's false statements and conclusions; and although, as I understand, that five or six dates have been appointed by the committee to hear Mr. Cromwell, he has not to this time appeared. Presumably he agrees with Mr. Untermeyer as to what the latter said. As Mr. Untermeyer has contradicted so clearly and conclusively the statement of Mr. Hogan, I shall content myself with calling attention to a few special paragraphs in the testimony.

On page 684 Mr. Untermeyer, recognized as one of the ablest leaders of the New York bar, said: "In my judgment, Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of the decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials so far as the charges made against them for conspiracy and wrongdoing." On page 650, Mr. Untermeyer says:

In conclusion, permit me to say that I greatly regret the perpetuation of this controversy on the part of Mr. Hogan against Mr. Williams, and believe it to be most unjust. Mr. Hogan has doubtless suffered great agony of mind, more particularly because of the affidavit for which he was responsible and which may account for his bitterness. To my mind, Mr. Williams showed great breadth and magnanimity in deciding to extend the charter of the bank. I

doubt whether I would have done so upon the facts, as I know them to exist. If I had been Comptroller of the Currency, or that any stranger to whom that record was submitted would have felt justified in extending the charter unless the men who were responsible for the offenses against the banking law were retired from the management.

Then follow questions addressed to Mr. Untermyer by the chairman:

The CHAIRMAN. Mr. Untermyer, you were counsel for Mr. Williams in the equity suit?

Mr. UNTERMYER. Only in the way I have explained. I did not regard myself as representing Mr. Williams any more than the Attorney General represented Mr. Williams. I was a special assistant to the Department of Justice, paid by the Department of Justice, paid by nobody else, under duty to nobody else. These officials had been attacked in their official capacity. They were entitled to be defended by the Department of Justice.

The CHAIRMAN. As he was immediately the defendant in the equity suit you probably had occasion to consult with him frequently about these matters?

Mr. UNTERMYER. Very little, except when the affidavit was being drawn in the equity suit. I drew Mr. McAdoo's affidavit myself. I did not, as I remember, draw Mr. Williams's affidavit. You see, Mr. Brandeis had been in this matter before I came into it. He had been advising Mr. Williams.

The CHAIRMAN. You did have some conversation with Mr. Williams about this case, probably?

Mr. UNTERMYER. Oh, yes; certainly.

The CHAIRMAN. Did you discuss with him the criminal proceedings?

Mr. UNTERMYER. No, sir.

The CHAIRMAN. That subject was never mentioned?

Mr. UNTERMYER. I do not recall ever having discussed the criminal proceedings with Mr. Williams. I discussed it with the Department of Justice.

The CHAIRMAN. Did you ever state to Mr. Williams your view in regard to that?

Mr. UNTERMYER. I do not think I did. I did not understand that Mr. Williams had anything to do with it. Mr. Gregory was simply wild about this thing. We came back from the hearing that day, after that affidavit had been read into the record in which it was stated that if there were any entries on Lewis Johnson & Co.'s books, transactions with the Riggs Bank, they were fictitious, and he was in a terrible rage about it.

The CHAIRMAN. You know what the comptroller's view was with regard to the criminal proceedings?

Mr. UNTERMYER. I do not think I do, so far as I recall, Mr. Chairman. I did not think that I had anything to do with it or with him. My connection ceased when Judge McCoy—

The CHAIRMAN. Yes; but the subject was brought up. You and Mr. Cromwell and Mr. Hogan—I did not know but in view of these repeated conversations with counsel for the other side bearing specially upon this subject of the criminal proceeding you might have discussed it with Mr. Williams—

Mr. UNTERMYER. It may be, Mr. Chairman.

The CHAIRMAN (continuing). And expressed your view to him?

Mr. UNTERMYER. It may be, Mr. Chairman, but I do not recall having done so. There were a good many things in connection with this transaction that I did not recall when I first saw Mr. Hogan's testimony. The whole thing had faded from my memory, and I had to rake up and refresh my mind and have my son talk with Mr. Cromwell, and in that way bring the picture back before my mind.

The CHAIRMAN. Did you not have conversations with the comptroller in regard to the importance of having this suit withdrawn?

Mr. UNTERMYER. No, sir. I never talked with him, as far as I recall, about that subject at all. Remember, this appeal was made to me. I did not go to somebody else. I was not acting in any professional way. Nobody was paying me; nobody was suggesting it. I would not have taken pay. They were appealing to me to see what I could do, and everybody understood that it was a foregone conclusion that the case would either have to be tried or Judge McCoy would have to be reversed in his view of the law as to the powers of the comptroller before the charter could be renewed.

Senator FLETCHER. Were you in a position to assure Mr. Hogan at that time that there would be no more talk of indictment and no indictment would be brought if that was done?

Mr. UNTERMYER. I had not any sort of power and did not assume to exercise any sort of power. I was not representing anybody.

The CHAIRMAN. Just one question more, referring back to the other matter: I assume that you did consider yourself as counsel for the respondent in the civil proceeding until it was ultimately withdrawn or dismissed?

Mr. UNTERMYER. No; I considered the civil proceeding ended when Judge McCoy decided it, because, for all practical purposes and intents, it was ended, and I was going away and I had discharged my mind of it. Mr. McAdoo had been charged with a conspiracy. If what the complaint said was true, or a fraction of it was true, these people were unfit to be public officials. He had been not only vindicated, which was the thing in which I was interested, but the suit had been shown to be a grossly groundless and malicious suit.

I think, Mr. Chairman and gentlemen, that that may be considered a pretty complete, effective answer to the rambling misstatements which Mr. Hogan made on that subject upon occasion of his last appearance before the committee.

Mr. Chairman, I want to apologize to the committee or to explain possibly a delay in placing my hands upon the records which I am using. The stenographic report of the last proceedings were not finally delivered to me until half past 9 o'clock this morning. I got them in installments during yesterday, and I think possibly a portion of the day before, but the conclusion did not reach me until this morning at half past 9, and I have not yet had the opportunity of glancing over the last installments of the last testimony of Hogan. In my letter to this committee, Mr. Chairman and gentlemen, of August 12, I quoted from the examination by a national-bank examiner of the officers of the bank, relative to the disposition or disappearance of certain records especially relating to the five or six thousand transactions between the Riggs Bank and certain brokerage firms. I also call attention to Mr. Hogan's denial as to the destruction of those records. I said, on page 13, of my printed letter to this committee, August 12, "I want to say while I am looking for this, that during the entire existence of the Riggs National Bank, none of its records were ever destroyed. No one had ever intimated that any of its records had been or would be destroyed, there was never any reason for destroying its records." How Mr. Hogan could have made such a statement as that, if no one had ever intimated that any of its records had been or would be destroyed, after the cashier or the vice president had specifically stated as shown in the record in regard to purchase and sales slips, "they were thrown away," should be explained.

After that testimony had been given by Mr. W. J. Flather the examiner, Trimble, located a number—some hundreds—of those purchase and sales slips, and the witness Hogan presented to your committee a bundle of those—of what he stated were purchase and sales slips, claiming that they had not been destroyed. Mr. Hogan said the vice president, Flather, was incorrect in stating that they had been done away with. My statement in this letter to the committee of

August 12 stands. He has never—he, Mr. Hogan, has not shown the incorrectness of a single syllable or letter in that statement. When after he made that extraordinary statement that he records which it was claimed had been destroyed that they had not been destroyed but were found, I then took occasion, took steps to ascertain whether there was any foundation for his claim which he made to your committee.

Senator HENDERSON. Mr. Williams is right there. Will you explain to the committee the object or purpose of the issuance of that letter of August 12? What were your reasons for sending it? Was it on request?

Mr. WILLIAMS. This letter contained matters relating to my defense which I thought of very great importance and should be before the committee. I sent this letter to the committee about August 12, hoping it would be promptly printed and distributed to the members of the committee so that they might acquaint themselves with the contents during the recess of the committee. It had been stated before the committee had adjourned in July that I would have the opportunity of sending in any additional evidence that I desired to submit. The record will show that I think, and it was in pursuance of that understanding that I embraced in this letter many matters which I felt it highly important should be brought to the attention of the committee. After waiting two or three weeks I learned that the—that my typewritten letter had not, up to that time, been sent to the Government Printing Office, and feeling from my standpoint that it was important that these facts should be gotten before the committee as early as possible, in view of their reassembling—I understood they were to meet again before the 1st of September—I had the letter printed myself, at my own expense, and sent over to the chairman of the committee 16 copies of this printed communication, one for each member of the committee, so that if they saw fit to do so, they might have the opportunity of reading it and getting the essential information before the committee should reconvene.

Under date of September 6, 1919, I addressed this letter to the Riggs National Bank, Washington:

SEPTEMBER 6, 1919.

RIGGS NATIONAL BANK,

Washington, D. C.

Sirs: I understand that the records show that in the several years immediately preceding the summer of 1914, the Riggs National Bank had some five or six thousand transactions in securities, largely in stocks, with the brokerage firms of Lewis Johnson & Co. and J. B. Colgate & Co., and that, in connection with those transactions notices reporting purchases and sales were customarily addressed to the Riggs National Bank by the brokerage firms.

At the examination of the officers of your bank, held on May 28, 1915, Bank Examiner Smith addressed to officers of your bank the following questions:

"How about the confirmation slips of purchases and sales sent to the bank by Lewis, Johnson & Co.? Are those filed?"

The following colloquy then ensued between W. J. Flather, vice president of the bank, and the national-bank examiner:

"Mr. W. J. FLATHER. Filed, you say?"

"Examiner SMITH. Yes.

"Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle as other orders for drafts and the like of that. There may be some of them in the office; I do not know.

"Examiner SMITH. Do you mean—

"Mr. W. J. FLATHER (interrupting). They were not kept for any time.

"Examiner SMITH. Not kept at all, you mean?

"Mr. W. J. FLATHER. No; they were not considered of any value.

"Examiner SMITH. Were they just—

"Mr. W. J. FLATHER (interrupting). They were put on the spindle and from time to time, like other waste paper, they were thrown away.

"Examiner SMITH. They were never permanently filed?

"Mr. W. J. FLATHER. No.

"Examiner SMITH. So there is no complete file of them?

"Mr. W. J. FLATHER. No, sir."

Before yesterday's meeting of the Banking and Currency Committee of the Senate, Mr. F. J. Hogan, who had stated to the committee that he is of counsel for your bank, although when he appeared before the committee in July he claimed not to be representing your bank, denied most positively and unequivocally that the records referred to had ever been destroyed; and he laid before the committee a bundle which he said contained the purchase and sales slips about which inquiry had been made by National-bank Examiner Smith on May 28, 1915.

Please inform me how many of these purchase and sales slips or notices your bank now actually has in its possession—how many of "purchases" and how many of "sales"—and whether these purchase and sales slips cover all of the aforesaid five or six thousand transactions between the Riggs National Bank and the brokerage firms mentioned.

A prompt reply to this letter is requested.

Respectfully,

(Signed)

JNO. SKELTON WILLIAMS,
Comptroller.

As to my understanding of the transaction, I quote the following statement from the court (official record, vol. 6, pp. 545-546, equity suit):

The CHAIRMAN. This is not in the letter?

Mr. WILLIAMS. No; no; this is not in the letter.

The COURT. There are 6,000 entries on the books of the Riggs Bank of transactions standing in the name of the bank on those books. I do not know how many checks there are, but there are some of them, and they say they settled by check in that way, or else by the pass book.

Mr. UNTERMYER. We say there are thousands of them.

The COURT. The affidavit filed yesterday not only denied specifically that the Riggs Bank had any transactions, but contains the statement which I have referred to, that Lewis Johnson & Co. would make fictitious entries. That is the end of that part of the affidavit which characterizes the whole affidavit, and, without commenting upon it, it has got to be explained with reference to this affidavit that is filed here now.

* * * * *

No, Mr. Hogan. Let me see that affidavit that was filed yesterday. [The document was handed to the court.] The statement is that "if there are any entries on the books of the firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false." There was only one inference which I drew from that, namely, that the Riggs National Bank, if there was an account in its name on Lewis Johnson's books, did not know that such was the fact. There can not be any other inference drawn from the statement.

Now, I will continue reading my letter of September 6, 1919.

[Continues, beginning with second paragraph:]

In reply to that I have received, under date of September 8, the following letter from Riggs National Bank:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 8, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We acknowledge receipt of your letter dated September 6, 1919, but delivered to the Riggs National Bank this afternoon (Sept. 8), between

the hours of 3 and 4 o'clock, by Mr. James Trimble, national-bank examiner, regarding the advices which you desire us to report about.

We understand these advices, which were used by Mr. Hogan in the perjury trial against Riggs Bank officers, were submitted to the Banking and Currency Committee recently and that they are now in Mr. Hogan's possession, and he is absent from the city and will return late this week or early next week. In the meantime we have asked Mr. J. J. Darlington, the general counsel of the bank, to look into the matter. As soon as we have heard from him we will be pleased to report further concerning your inquiry.

Very truly, yours,

(Signed) JOSHUA EVANS, Jr., *Cashier*.

(He attached a letter from Riggs Bank, September 8, to Mr. Darlington, as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 8, 1919.

J. J. DARLINGTON, Esq.,

Attorney at Law, 410 Fifth Street NW.,
Washington, D. C.

DEAR SIR: The Riggs National Bank received, between 3 and 4 o'clock this afternoon, a letter from the Comptroller of the Currency, dated September 6, 1919, delivered in person by Mr. James Trimble, national-bank examiner, a copy of which is inclosed.

Mr. Hogan has possession of certain bills and advices which were used in the perjury trial against officers of the Riggs National Bank, and these I understand he exhibited to the Banking and Currency Committee a few days ago in connection with the controversy between himself and the Comptroller of the Currency regarding the bills and advices in question.

As one of the counsel for the bank will you please have these bills and advices gone over to see if they are the ones the comptroller desires us to report about?

Meanwhile we have acknowledged the letter of the Comptroller of the Currency dated September 6, 1919, and have also sent him a copy of our letter of this date to you.

Very truly, yours,

(Signed) JOSHUA EVANS, Jr., *Cashier*.

On receipt of that I addressed this letter:

SEPTEMBER 9, 1919.

RIGGS NATIONAL BANK, Washington, D. C.

SIR: I have your letter of the 8th instant, acknowledging my letter of September 6 delivered to you yesterday, in which I requested you to inform me how many of the purchase and sale slips or notices sent your bank by the brokerage firms with whom the transactions referred to in my letter were made were still actually in your possession, and whether those purchase and sale slips now in your possession cover all of the five or six thousand transactions referred to between the Riggs National Bank and the brokerage firms mentioned.

You now tell me that the notices or purchase and sale slips which were submitted to the Banking and Currency Committee on Friday last are in Mr. Hogan's possession, and that he is absent from the city to be gone some days, but that you have asked Mr. J. J. Darlington, general counsel of your bank, to look into the matter.

On Friday, the 5th instant, Mr. Hogan, in testifying before the Senate committee relative to the "purchase and sale slips" or "notices" which the vice president of your bank, Mr. W. J. Flather, had declared had been destroyed or, as he expressed it, "thrown away," stated to the committee:

"Senators, first, those papers were not destroyed." * * *

Mr. Hogan had just read the following extract from my letter to the Senate committee of August 12:

"Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customer of the bank."

Senator Henderson then asked Mr. Hogan: "Are those the papers referred to in that statement just read?" To which Mr. Hogan replied: "Yes; pre-

cisely; not only—Senator Henderson, that statement, which he makes now—not only were they produced in court but Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble or one of his assistants, which number corresponds with a number placed by Mr. Trimble or one of his assistants on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction."

A little later Mr. Hogan declared to the committee: "Every one of them were found in the cellar of the bank, where they had been piled up; they ran back several years. This package is only a sample."

Senator Henderson asked Mr. Hogan the following question:

"As I understand it, he claims certain records were destroyed, and that you have produced these to show they were not?"

"Mr. HOGAN. Yes."

"Senator HENDERSON. Were any records at all destroyed?"

"Mr. HOGAN. None. Put that as strong as you can. Borrow Williams' italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—NONE."

As it was the rule and practice of the brokerage firms to send notices or purchase and sales slips of all such transactions, all such notices or purchase and sales slips for the five or six thousand transactions referred to must still be in the possession of your bank, if Mr. Hogan, as quoted above, was telling the truth.

I understand from the national-bank examiners, however, that only a portion of those notices or sales slips relating to the five or six thousand transactions were ever exhibited to them, the examiners, by your officers, or were ever found by the examiners in your cellar or elsewhere.

While Mr. Darlington is looking into the subject, I will thank you to inform me whether your bank has preserved any other notices or purchase and sales slips of the character referred to except those you say are now in the possession of Mr. Hogan, and which, you state in your letter, were presented to the Banking and Currency Committee on Friday.

If you have any other "purchase and sale slips" or "notices" relating to transactions referred to in my letter of the 6th, please advise how many you have, and what period and how many transactions they cover; and I will also thank you to give me specifically, as promptly as possible, the data asked for in regard to those purchase and sales slips or notices taken possession of by Mr. Hogan.

Respectfully,

(Signed)

JNO. SKELTON WILLIAMS,
Comptroller.

On September 9 I received this letter from Riggs National Bank:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 9, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of September 9, 1919, further in the matter of the advices or papers referred to in your letter of September 6, 1919, to which we replied on receipt yesterday (the 8th instant) that Mr. Frank J. Hogan was out of town and would not be back until the latter part of this week or early next week, wherefore we had referred the matter to one of our general counsel, Mr. J. J. Darlington.

We are referring a copy of your letter of the 9th instant to Mr. Darlington in connection with your former letter on this subject, and hope to advise you in the matter as soon as Mr. Darlington has responded with respect to the letter already submitted to him.

Very truly, yours,

(Signed)

JOSHUA EVANS, Jr., *Cashier.*

We have been unable to get any information whatsoever as to the missing purchase and sales slips.

Senator HENDERSON. Mr. Williams, upon what do you base your belief that there are missing purchase and sales slips?

Mr. WILLIAMS. Because it is the custom and rule of brokerage houses to report all such purchases and sales and there is no reason to believe that custom was here deviated from. On the contrary, there is every reason to believe it was closely adhered to in this case. We found the record of purchase and sales of securities for the Riggs National Bank on the books of the brokerage firms for which the Riggs Bank paid them on presentation of the notice slips and purchase and sales slips. There were also numbers of items of that kind discovered, for which the examiners reported they had never been able to find the confirmatory slips and notices.

I call attention right here to the following statement by Assistant Attorney General Fitt, which appears in volume 15, stenographic report of the perjury suit, page 1736.

Trimble testified upon that stand that when he went into that bank he asked these three defendants for these papers, and that they said they did not have them, and had never had them. He testified that he went down one evening late into a secret place, a secluded place, in the cellar of that bank, and found, not an ordinary clerk, and not a man who would be packing away abandoned trash, sorting over these very papers there that he had asked for, and that he had upward of 700 of the one kind and upward of 600 of the other, and that that is how he got them, after these men had said they did not have them. Trimble further said that they said they did not have them because they had been put on spindles and thrown away, and he said they never had had spindle holes in them.

Mr. Chairman and gentlemen, I would like to report that after delivering the letter of the 6th to the Riggs National Bank on the afternoon of the 8th, between 3 and 4, the examiner, Mr. Trimble, returned to the office and reported that he had delivered it to Mr. W. J. Flather, upon getting there, but Mr. Flather was in the board room at a board meeting but came out of the room to receive the letter, telling the examiner he would have to refer it to counsel, he returned to the board room with the letter in his hand. I chanced to run across a director of the Riggs Bank on my way up here this morning and mentioned to him or told him that I had occasion to address a letter to the bank a few days ago and was wondering if it had been brought before the board, in view of the fact it had been delivered to the vice president while the board was in session and that officer had returned to the board room with it. This director said he knew nothing of such a letter. I do not know whether the vice president of the bank feels that it is a matter that should be handled by certain officers and not brought to the attention of the board at all, nor am I prepared to say that the letter may not have been brought to the attention of the other directors while this gentleman was temporarily absent, but as I know he was there during the entire meeting. I only happen to know that I ran across him accidentally this morning and asked him if they had seen the letter and he said he knew nothing of it. I think it worth while to mention this.

The CHAIRMAN. Did he say he was present?

Mr. WILLIAMS. He did.

The CHAIRMAN. I think, Mr. Williams, now the Senate is convening and it is necessary for some of us to go over there, we will have to stop in a minute and adjourn subject to the call of the chairman of the committee. Is that satisfactory?

Senator HENDERSON. Yes. Will you finish now with the exception of putting in your written statement as suggested by Senator Walsh and the chairman?

Mr. WILLIAMS. That is for you gentlemen to say. I am willing to be governed by our wishes and directions here.

Senator HENDERSON. We don't want to cut you off, Mr. Williams, at all in the presentation of your side of this matter. The suggestion came from Senator Walsh.

Mr. WILLIAMS. May I state that that statement introduced above with regard to Mr. Trimble was a part of the statement by the Assistant Attorney General. I would like to present at this meeting this letter from Mr. Trimble, national bank examiner, in answer to a statement made by Mr. Hogan, for the record.

The CHAIRMAN. The presentation of that letter we will have to ask you to insert.

Mr. WILLIAMS. Yes; this is simply an affidavit, from Examiner Trimble denying the correctness—

The CHAIRMAN. There will be no objection to your putting that in the record.

Mr. WILLIAMS. Of the statement alleged to have been made by discharged Examiner R. J. C. Dorsey.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 19, 1919.

DEAR MR. CHAIRMAN: The record shows that at the meeting of your committee on the 11th instant you said: "Mr. Williams, before you begin your statement, I would like to ask you if you could furnish the committee with a list of all the national banks that have gone into voluntary liquidation during your term of office and have reorganized under the State laws?" to which I replied: "Certainly."

I now beg leave to advise you that the list to which you referred has been compiled and shows that for the period you mentioned, from February 2, 1914, until September 15, 1919, the number of national banks which went into liquidation for the purpose of organizing as State banks or trust companies was 357, with aggregate capital of \$44,482,500. The number of State banks, private banks or trust companies which were converted into national banks was 417, with aggregate capital of \$46,799,500. There were, therefore, 60 more State banks converting into national banks than there were national banks converting into State banks and trust companies.

In addition to this the records show that the number of primary national bank organizations, exclusive of State banks, converting into national banks during the same period was 531, with aggregate capital of \$32,615,000.

Besides the 948 conversions of State banks and primary organizations there were in the same period 361 new charters granted to banks whose charters were expiring and decided to continue under national charters, thus making the total national charters issued for this period 1,309.

In my letter to you of August 26, 1919, I said (p. 23):

"In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for "the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system."

It may possibly interest you to know that the State bank referred to by Mr. Hogan was the Bank of Valley City, Valley City, N. Dak., and that under date of August 19, 1919, that very bank made application to me for permission to convert into a national bank. Apparently Mr. Early has changed his mind.

Mr. Hogan's letter, in which he disseminated that three-year-old letter of Mr. J. J. Early, president of the Bank of Valley City, was dated August 6, 1919.

Mr. Hogan's communication was given to me by one of the Senators on the mailing list from which Hogan was addressing reprints of maliciously untrue newspaper articles and letters in connection with the propaganda he has been conducting.

Under date of August 19, 1919, I received the following letter from the North Dakota banker referred to by Mr. Hogan:

BANK OF VALLEY CITY,
Valley City, N. Dak., August 19, 1919.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: Our directors have passed a resolution to convert this bank into a national bank, the title to be "The Valley City National Bank." Please make reservation of this title and forward to us the necessary blanks so that we may make formal application.

Very truly,

JAS. J. EARLY, *President.*

If you desire the full list of the names of the 357 national banks which have converted into State banks, and of the 417 State banks which have converted into national banks, and other new national banks chartered, 531, I shall be pleased to send it to you for insertion in the record.

The record shows that the movement toward the nationalization of State banks and trust companies is proceeding at an accelerated speed. For the 10 months since January 1, 1919, there have been about seven times as many new charters granted for new national banks and applications for increase in the capital of existing banks approved as there were in the same period reductions of capital and liquidations (other than banks consolidating with other national banks).

Faithfully, yours,

JNO. SKELTON WILLIAMS.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

WASHINGTON, D. C., September 10, 1919.

HON. GEORGE P. McLEAN,
Chairman Banking and Currency Committee, United States Senate.

SIR: I have read the official stenographers' transcript of an affidavit laid before the Banking and Currency Committee of the United States Senate by Mr. Frank J. Hogan, on September 5, said affidavit having been executed on the day mentioned by Mr. Roscoe J. C. Dorsey, a former national bank examiner.

In connection with the statements contained in the affidavit referred to, I desire to make the following reply:

The only time that I can recall that I have mentioned to anyone connected with the Treasury Department my not having found it necessary to work on Sunday was that in a casual conversation in my office, when an examiner or assistant examiner mentioned the subject of Sunday work, I recall having said that I was thankful that since I had been an examiner it had been necessary for me, up to that time, to work on only one Sunday. I mentioned this instance as occurring during the Riggs equity case, when I was requested to come one Sunday to the office of Mr. Jesse C. Adkins of counsel for the honorable Secretary of the Treasury and the honorable Comptroller of the Currency in the Riggs equity case. In response I went to the office of Mr. Adkins in the Wilkins Building, on H Street, on the Sunday mentioned, where I did some work in going over reports and data connected with the Riggs equity case.

The comptroller never at any time used the language ascribed to him in Mr. Dorsey's affidavit, "We must get them; we must get something on them," to me, nor to anyone else, to my knowledge.

In answer to Mr. Dorsey's statement that in the fall of 1917 I was exceedingly wrought up against Comptroller Williams because, Mr. Dorsey says, the comptroller had directed me to make an apology to certain directors of a national bank for having in a critical manner referred to said directors, I wish to say that I was never required to apologize to the directors mentioned, but on the other hand the written record of the conference to which Mr. Dorsey apparently refers (which record was prepared at the time of the conference by the comptroller's office, without any knowledge upon my part until I examined it on yesterday), shows that the comptroller sustained me in every important particular in the positions I had taken during the examination of the bank referred to.

I distinctly remember that I left that conference room with no feeling of resentment toward anyone, but that I was happy that both the comptroller and deputy comptroller, Hon. T. P. Kane, approved my work in that examination, which had been a very difficult and trying one.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Subscribed and sworn to before me this 11th day of September, A. D. 1919.

[SEAL.]

J. F. DOUGLAS,
Notary Public, District of Columbia.

The CHAIRMAN. Do I understand you wish to be heard further verbally?

Mr. WILLIAMS. That is up to you gentlemen, sir.

The CHAIRMAN. The Senators with much greater experience than myself have all suggested that if possible, in full justice to yourself and the committee, that you do submit any further views on the matter in writing.

Mr. WILLIAMS. May we leave it this way, that this will be done unless there should be occasion for my requesting a special opportunity to appear orally?

The CHAIRMAN. Certainly.

Senator HENDERSON. I think that will be all right.

The CHAIRMAN. I think such a motion would be granted.

Mr. WILLIAMS. Can I get any idea as to when the hearings will definitely close?

The CHAIRMAN. It was hoped they would close this morning.

Mr. WILLIAMS. I meant to say as to whether any of the other witnesses are going to submit written statements or not?

The CHAIRMAN. I understood the chairman to state that he knew of no witnesses.

Mr. WILLIAMS. I thank you, gentlemen, very much for your patience.

(Adjourned at 11.55 a. m.)

WAYCROSS SAVINGS & TRUST CO.,
Waycross, Ga., August 26, 1919.

Hon. GEO. P. McLEAN,
*Chairman Committee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR SIR: Part 10 of the hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency has just been received by me, and in looking over this I find the several references to me and my banks by Mr. Williams are so very far from the truth that I am obliged to protest with the following statement, and I ask that this statement be made a part of your record in this hearing.

In the effort to show his qualifications Mr. Williams seems to take the position that it is necessary to break down the character of outside people. I have had no part in the hearings with reference to his nomination, yet Mr. Williams has seen fit to attack me in various and sundry instances, greatly straining the truth in order to accomplish his purposes. I presume he has been making these attacks on me as a brother of Wade H., thinking possibly it might discredit Wade H. as a main witness in the hearing. I admit that I have made some mistakes, which have been all of the head and not of the heart, and I am seeking to repair them as rapidly as possible; but, regardless of that, I see no occasion for Mr. Williams's attack on me, and certainly if he feels called upon to attack me it is as little as could be done for him to tell the truth. In his testimony Mr. Williams has proved himself a very adroit witness. He has told half truths borrowed from the garb of truth to do the work of falsehood in my own particular case.

On page 734 of part 10 of the hearing Mr. Williams refers to a partial list of banks, all of which he says are now defunct and which were promoted and officered by the Cooper clique. I take them in the order presented by him in his testimony.

Waycross Savings & Trust Co., L. J. Cooper, president; placed in the hands of receivers. This is falsification No. 1. In the first place, this company never did a banking business; it is purely a building and loan proposition, principally in loaning money on real estate. It has never been placed in the hands of receivers, is a going concern at this time, and does not owe a dollar to a single unsecured creditor.

Next he refers to the bank of Floral City, Floral City, Fla., as being closed. I once lived in Florida and had some little stock in this bank and was for a few months president of it, but I never did take any active interest in the bank whatever. This bank was liquidated five or six years after I resigned as its president, and so far as I know every dollar due its depositors and creditors was paid. However, I was not directly connected and am not in possession of the exact facts.

Next he refers to the State Bank of Waycross, which he says was closed. This was a small State institution that I allowed myself to be named as president. I took very little active part in the management of this institution, leaving it almost entirely to other hands. I soon found that no money could be made in the venture, and I promptly arranged for liquidation of the same, but before announcing liquidation I had every dollar on hand to pay the depositors and the creditors, and not a man, woman, or child, firm, or corporation lost a dollar as a creditor.

Next he refers to the Bank of Statenville, Statenville, Ga. This was a State institution organized by personal friends of mine who insisted that I should act as president. I allowed the use of my name, without giving a day's attention to the operation of the bank. It was largely managed by local people, and I seldom attended a meeting of the board of directors. Statenville is one of the smallest counties of the State, which is sparsely settled, and I soon found that with the little deposits to be had no money could be made for the stockholders. The local parties interested evidently thought the same way and they agreed that liquidation was the best thing to do. The money was gotten together to pay every depositor and creditor, after which notice of liquidation was posted, and as soon as the depositors could be paid the bank ceased to do business. In winding up its affairs the local stockholders thought that I should be made personally responsible for certain notes that had been put in the bank, either through my influence or through the influence of the cashier, who was not a local man, and on my failure to make good these obligations one of the disgruntled stockholders went before the grand jury and got an indictment against me, thinking that was a sure way of making me come across. Since that time I have had several conferences with these local members. They have seen the error of their way, and have made me a proposition looking to the final closing up of this matter in a way that I trust will not only be satisfactory to me but to all interested parties.

Next Mr. Williams refers to the Exchange Bank of Waycross. I had nothing in the world to do with the operation of this bank. Mr. N. P. Jenrette was president, and I am sure is in position to give Mr. Williams the information that he might desire as to the operation of this institution. I might say, however, that I happen to know that every depositor of the Exchange Bank was provided for before its liquidation.

Mr. Williams, in his adroit way, would lead you and your committee to believe that all the above-referred-to banks were closed involuntarily and that the depositors and creditors all suffered to the extent of their interest. Mr. Williams won't go far enough in his testimony and be honest enough with you gentlemen to state the actual facts with reference to these various matters.

Mr. Williams refers to a certain affidavit of Jenrettes, pages 223, 224, and 226 of the present hearing, wherein Jenrette charged that he made certain obligations and was used as a scapegoat to save the reputation of the Coopers. Since this affidavit has been withdrawn by Mr. Jenrette himself, I feel that no statement from me is necessary. I would state, however, that I know nothing of such an agreement made with Jenrette, or of any such notes being signed or assumed by him. And the very fact that he files no bill of particulars or specifies in a single instance ought to be evidence that no agreement of the kind ever existed.

Mr. Williams takes occasion to advise you that the information with reference to the banks in question was furnished him by National Bank Examiner Borden of the sixth Federal reserve district. I happen to know Mr. Borden very well, and I believe him to be an honest and truthful man, and while he might have furnished Mr. Williams this information, he must have furnished Mr. Williams a good deal more as to the actual facts that Mr. Williams has not seen fit to give to you.

As Comptroller of the Currency, Mr. Williams has kept his examiners very busy all over three or four States getting up such information and such misinformation as they could get together with a view of discrediting Wade H. Cooper before your committee. Personally, I have been subjected to some very severe indignities at the hands of some of these examiners. I refer particularly to one E. F. Higgins, the erstwhile chief national bank examiner of the sixth Federal reserve district. In November, 1918, this man Higgins, with an assistant, came to Waycross ostensibly on one of his periodical examinations of the bank. He worked in the bank through the day, returning at night supposedly to hurry the work along. The cashier was working in the front while Higgins and his assistant worked in the directors' room, next to which was my private office, in which was stored my own private and personal files.

The cashier having occasion to go back, found Higgins in the directors' room with his assistant in my private office; although I was no officer of the bank, he went into my private office at night, rifling every file I had. The cashier asked what was up, and was informed by Higgins that he was taking my files to Atlanta and that he, the cashier, was to keep "mum," and under no circumstances to inform me until I learned from other sources. The cashier, fearing trouble as well as reprisals from Higgins and the department, kept "mum" until approached by me some four months later. I never learned about this transaction until some copies of my personal letters were presented to the committee by Williams in the diabolical effort to discredit Wade H. Cooper. I wired Higgins, charged him with stealing my personal files as well as \$25,000 of real-estate trust notes that were missing, none of which have been returned to this day—telling him in this wire that he had acted the part of a sneak thief under the guise of a national-bank examiner, and unless he returned my property I would indict him for common larceny—to all of which I have had no response save a written denial that he took the notes, and threatening me for trying to intimidate him in the discharge of his official duties. Higgins soon resigned his position without ever returning to Waycross, and I am left without my letters or the \$25,000 notes.

The Mr. Borden referred to succeeded this man Higgins, and since his induction in office I think he has given the better part of his time running over three or four States in the effort to manufacture evidence against me or some of my brothers that would serve to discredit Wade H. in his charges against Mr. Williams.

In the testimony of Mr. Williams, some time back, he attacked me because of my refusing to be fleeced by some Chicago sharpers, so-called real-estate traders. Prosecution was started in this matter but was later dropped by these Chicago dealers, and since this hearing has been going on Mr. Williams has industriously furnished these people in Chicago copies of the hearings from time to time.

Mr. Williams makes a convenient vehicle out of his examiners for sending out his libelous charges. This man Higgins, above referred to, made the statement, and Mr. Williams had it printed and mailed broadcast, especially to individual depositors of the First National Bank of Waycross, to the effect that I had confessed that I had forged my wife's name to a certain note. His statement is a contemptible falsehood. Higgins knew it was a falsehood, and Williams no doubt knew it before he circulated it, but Mrs. Cooper better speaks for herself in a letter, the original of which is in the hands of Wade H. Cooper at this time, which reads as follows:

"I have been shown a memorandum dated February, 1919, concerning the hearing before the Banking and Currency Committee on the President's nomination of John Skelton Williams for a second term as Comptroller of the Currency, in which reference is made to a letter I wrote the president of the First National Bank of this city in May, 1918. My husband is not a witness in the hearings and I am unable to see what this letter has to do with that matter. I have never denied the genuineness of my signature to the note referred to in my letter of May, 1918. I was much perturbed when I received a

special delivery letter from the bank inquiring about that note, as I thought the overdraft which the note covered had been paid. My husband, Mr. L. J. Cooper, was away from home at the time, but upon his return I gained a full history of the transaction, and with my own funds my brother, at my direction, paid the note, and not my husband or any relative of his. I feel highly indignant that this matter should be dragged into a public hearing in Washington, in the attempt to reflect upon Wade H. Cooper, who had nothing to do with it in any way.

BLANCHE S. (Mrs. L. J.) COOPER."

Virtually this same statement was made by me to this man Higgins, yet it better suited the purpose of Mr. Williams to pervert the facts in the manner above referred to, and he has continued to mail out his periodical circulars containing false and slanderous statements of this same tenor.

Mr. Williams as comptroller has made numerous abortive attempts to indict me on frivolous and foolish charges. He has taken advantage of every subterfuge to manufacture grounds on which he can secure possible indictment that will work to discredit me and my brother, Wade H. Cooper.

I desire this protest filed not as participant in the hearings or as anywise connected with the charges against Mr. Williams as originally filed, but purely as a protest against his attempts to break down the character of myself and family in the insane effort to demonstrate his qualifications to hold the office of such magnitude.

Respectfully submitted.

L. J. COOPER.

TABOR SUPPLY Co. (INC.),
Tabor, N. C., September 2 1919.

CHAIRMAN BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

DEAR SIR: In the hearing before your committee on the nomination of Mr. John Skelton Williams as Comptroller of the Currency my name has been repeatedly brought before you by Mr. Williams and in such a way as to leave me in an unenviable light. Mr. Williams has given your committee such information as will help him and has neglected to give the true facts.

I have never opposed Mr. Williams's confirmation, nor have I ever criticized him or his official acts, neither have I ever brought any charges against him on account of any connections he may have had with any railroads or banks, and I am not now opposing his confirmation or in any way criticizing for or accusing him of any misconduct in his public or private life, but I am protesting against his further use of my name in the future unless he can give the whole facts.

I respectfully request that this letter of protest be made a part of the record in the case.

Yours, very truly,

N. P. JENNETTE.

ATLANTA, GA., September 8, 1919.

Mr. L. J. COOPER,
Waycross, Ga.

DEAR SIR: Replying to your letter of the 1st instant, I beg to say that in the matter of the liquidation of the Bank of Statesville, Statesville, Ga., that permission was given by this department to the officers of said bank to liquidate and pay off its creditors about one year ago, and as far as this department has been informed this bank has discharged and paid off all its obligations.

As to the matter of the State Bank of Waycross, Waycross, Ga., our records show that this bank went into voluntary liquidation about March, 1916, and since that time this department has exercised no supervision over its affairs, for the reason that we were informed by its officers that its depositors and other creditors have been fully paid off. No complaints have been registered in this office to the contrary by the creditors of the two above-named banks.

As to the Waycross Savings & Trust Co., Waycross, Ga., this institution is not a bank under the laws of Georgia, and we have never had any supervision over it.

Yours, very truly,

W. J. SPEER,
State Bank Examiner.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, September 15, 1919.

HON. GEORGE P. McLEAN,
*Chairman Committee on Banking and Currency,
United States Senate.*

MY DEAR SENATOR McLEAN: My attention has been called to No. 6 of the printed hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency, held on Monday, July 21, 1919, and to the statement of Senator Gronna appearing on page 449 of the hearings.

I desire to inform you that on February 15, 1919, and again on July 15 last I introduced in the House of Representatives a resolution calling for an investigation of John Skelton Williams by a special committee of the House. This committee, to be appointed by the Speaker, would be authorized to investigate the conduct of John Skelton Williams, not only his official acts as Comptroller of the Currency but his entire conduct as an official of the Government.

At the request of the chairman of the Rules Committee of the House of Representatives, I appeared before that body to explain the purpose and necessity of this resolution on Saturday, July 19.

Pursuant to the request of that committee, I submitted to it information that had come into my possession from a trustworthy source indicating that John Skelton Williams was involved in and had aided in the purchase by the Government of the Arlington Hotel site. I stated that the information was in my possession and could be substantiated; that Mr. Lewis B. Williams, a brother-in-law of John Skelton Williams, negotiated the sale of this property to the Government; that Lewis B. Williams, of the firm of Williams & Mullins, Richmond, Va., brother-in-law of John Skelton Williams, received a fee of \$25,500, and that John Skelton Williams had a partnership interest in this fee.

While the Rules Committee of the House had my resolution under consideration, and before it had acted thereon, John Skelton Williams appeared before your committee and made the statement referred to as it appears in the hearings, and in intemperate and vituperative language demanded that I, a Member of the House of Representatives, appear before your committee and there present my charges relating to his misconduct and submit the proof thereof.

After introducing this resolution in the House, after appearing in support of this resolution before the Rules Committee of the House, and while it was still under consideration by that committee, presentation of the same charges and of the evidence in support thereof to a committee of the Senate would, I respectfully submit, have involved at least a discourtesy to a standing committee of the body of which I have the honor to be a member.

I have the highest respect for your committee, and I regret that momentarily there should have escaped the attention of its members the fact (1) that the Rules Committee of the House was considering an investigation into John Skelton Williams's official conduct, pursuant to my resolution; and (2) that the charges to which Senator Gronna and the comptroller referred were made not "in the public prints," but before the Rules Committee of the House. I respectfully submit that in the light of these facts no criticism properly can attach to my unwillingness to transfer from the Rules Committee of the House to the Committee on Banking and Currency of the Senate the charges which the former committee had under consideration.

When the Rules Committee of the House shall act favorably upon my resolution I will be ready to substantiate every charge I have submitted for its consideration.

Permit me further to bring to your attention the fact that I have stated to the Rules Committee and on the floor of the House that if in its judgment I should, prior to disposition by the House of my resolution and while the Rules Committee is still considering the matter submitted to it, transfer from the committee of the House to your committee my charges against the comptroller, I was prepared to do so. Neither the committee nor the House has authorized or suggested such action. In the absence of such authority I have not been and am not now at liberty to submit my charges to another jurisdiction.

I respectfully request that this communication be made a part of the record of your committee, both that its members, whose respect I value, may understand the circumstances which have restricted my action, and that the unwarranted aspersions of John Skelton Williams may not there appear unanswered.

Very truly, yours,

L. T. McFADDEN.

WAYCROSS SAVINGS & TRUST CO.,

Waycross, Ga., September 20, 1919.

Hon. GEO. P. McLEAN,

Chairman Banking and Currency Committee,

United States Senate, Washington, D. C.

DEAR SIR: Part II of the hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency has just come into my hands. I note on page 786 a letter addressed to you under date of August 8, signed "John Skelton Williams, Comptroller," in which he says or undertakes to convey the impression that the Waycross Savings & Trust Co. is a banking corporation, that it is notoriously insolvent, and that it is closed and application made for receiver, etc.

Mr. Williams has made the statement before that this company was in the hands of a receiver. Now he undertakes to amend for one falsehood by making it several and this last one above referred to was manufactured by his "sweet scented" examiner to suit the purposes of the hour.

To refute this last diabolical falsehood I have had the clerk of the superior court of this county issue a certificate under his official seal certifying to the fact that no receivership proceedings were on the trial docket whatever and this certificate has been sent to you with the request that it be made a part of the record.

The Waycross Savings & Trust Co. has never done a banking business; it has no banking charter; it is not insolvent; it has never been closed, and there is no application for receiver pending. Mr. Williams very correctly says, truth may not overtake a lie but may outlive it. I therefore ask that this letter be printed in the record along with the clerk's certificate before referred to.

Respectfully submitted,

L. J. COOPER.

GEORGIA, Ware County, ss:

I, J. D. Mitchell, clerk of the Superior Court of Ware County, do hereby certify that there are no proceedings on the trial docket of this court to place the Waycross Savings & Trust Co. in the hands of a receiver.

I further certify that the above-mentioned court is the only one in this county having jurisdiction in such proceedings.

Given under my hand and seal of office this 19th day of September, 1919.

[SEAL.]

J. D. MITCHELL,

Clerk Superior Court, Ware County.

UNITED STATES SAVINGS BANK.

Washington, D. C., September 22, 1919.

Hon. GEO. P. McLEAN,

Chairman Banking and Currency Committee,

United States Senate.

DEAR SIR: I do not desire to tax you or the committee by making further denial of the various false statements reflecting upon me, made by John Skelton Williams, but I do desire to impress upon you and the committee the fact that each and every statement he has made reflecting upon me in any way was and is absolutely and infamously false, as shown by the record of the February hearings. He has never in his life referred to any of the matters about which he now criticises me until after I had opposed his confirmation. The February hearings show that the paper he read reflecting upon me, was practically a tissue of wicked, wilful falsehoods, manufactured by him and Examiner Trumble, for this special occasion. All these matters were gone into at great length in the February hearings and shown to be a tissue of wilful and malicious falsehoods.

The February hearings show that the 15 charges I made at that time against Comptroller Williams at pages 11 and 12 of the February hearings were all conclusively proven, except the third and tenth, which have been proven conclusively now by the testimony of Mr. John Poole and Mr. Frank J. Hogan. In a few instances, I have excused unwilling witnesses, as to certain facts, but in each and every case the charges of misconduct have been fully sustained, including the charge in regard to the Georgia & Florida Railroad.

Comptroller Williams talked loudly about net operating income and net operating deficit but he did not explain that such income or deficit did not con-

template the payment of a single dollar on the fixed obligations of the railroad. This is his usual manner of deception and falsification.

I hope you and the committee will remember that Comptroller Williams made no denial of the charges filed against him in the February hearings, but sought to escape responsibility by reading his tissue of falsehood and slander, which he later scattered all over the country, especially wherever we had a bank, in the attempt to hurt the bank and me. If the things he says are true, he should be driven from office for not mentioning them until after I had opposed his confirmation.

Not one of my brothers opposed him, but he has sought to escape by villifying and slandering my brother, Mr. L. J. Cooper, of Waycross, Ga., in every way he could. Mr. L. J. Cooper has submitted to you a statement, corroborated by a written statement of Hon. W. J. Speer, treasury of the State of Georgia, showing the statements of Comptroller Williams to be outrageously false. No creditor or depositor ever lost a single dollar in any financial institution in which Mr. L. J. Cooper was interested, and none of them "closed," as Comptroller Williams would have you believe. There were two or three voluntary liquidations of small banks that were unprofitable, but not a dollar was lost to a depositor or creditor.

Mr. L. J. Cooper has made a few business mistakes, but he has never had a "creditors' committee appointed" or declared a "moratorium" as John Skelton Williams confessed he had done. Mr. L. J. Cooper, like an honest man, is seeking to repair and correct his mistakes, and not seeking to avoid them by misrepresentation and slander, as John Skelton Williams has done.

Comptroller Williams made the statement that the United States Savings Bank had charged as much as 31 per cent. Upon investigation I find that a Government employee obtained a loan of \$25, payable in five monthly installments, which cost him \$1.62, or about \$0.32 per month. The Comptroller agrees that a minimum charge of \$0.50 per month is reasonable, but in this case we collected only about one-half of what he agrees is reasonable. This is another illustration of his manner of deception and falsification, as mentioned by Senator Weeks in his testimony last February. There may have been one or two similar cases or cases where we charged for drawing papers as in loans on automobiles.

The February hearings also show that his insinuation that I opposed him because of his criticism of any of my loans or the loans of my brothers, is also an absolute and unqualified falsehood. The record shows that he has never criticized one of my loans in his life.

I will not tire you further, but I firmly believe that Mr. Hogan's statement that 99 per cent of the testimony of Comptroller Williams is false.

As a memorandum for your committee, I respectfully request that this letter be made a part of the printed hearings, and also the letters of Mr. L. J. Cooper and the Hon. W. J. Speer, of Atlanta, Ga., and the inclosed certificate from the Hon. J. D. Mitchell, clerk of the superior court of Ware County, Ga.

Yours, truly,

WADE H. COOPER, *President.*

APPENDIX.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 24, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: I have not thought it worth while to bring before your honorable committee or to take up space in this record for publication of the hundreds of commendatory letters, telegrams, and editorials which I have received from various sections of the country in regard to my administration of the office which I have the honor to hold, but as Mr. Hogan, in his statement before the committee on September 5, enlarged, as he did, upon what he assumes to describe as the "ominous silence" of the bankers of the country on the question of my confirmation, I shall take the liberty of introducing a few examples of the many commendatory communications which have come to me, and I will also take occasion to add that, aside from a few anonymous letters, I do not recall that I have received in the past five years as many as half a dozen letters condemnatory of my administration of this office.

Under date of June 24, 1919, I had the honor to receive from Hon. Ira C. Copley, Member of the present House of Representatives, and a Republican, the following letter:

HOUSE OF REPRESENTATIVES,
Washington, D. C., June 24, 1919.

MR. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. COMPTROLLER: I have your favor of June 20, together with its inclosure, and beg to thank you very much for the information.

It is my own opinion, based on my own observation, that the comptroller's office is better run, on the whole, than it has been in the entire 30 years during which I have been engaged in business.

I have business relations with almost 100 different banks. My business frequently has a great deal of money on deposit and we frequently borrow a great deal of money. It is to the interest of every sound business man that the bank with which he deals should be run right up to the handle.

I am frank to say to you that I have heard many complaints about you as Comptroller of the Currency, and I have never missed such an opportunity to express myself as believing the national banks generally are in better condition to-day than they have ever been in the history of banks in this country.

I had a discussion one evening a few months ago with a well-known citizen of the State of Minnesota, who was criticizing you and your methods. I repeated my "canned" formula. He told me that any bank could get along in times such as we were enjoying at that moment. The next morning I opened a Chicago Tribune and saw that the day before 13 State banks in Minnesota had closed. I cut out the article and sent it to him, suggesting that it might be a good thing for the Minnesota State bank examiners to follow the disagreeable methods of the Comptroller of the Currency of the United States.

I want to see the banks of this country absolutely sound. I hope to have some money deposited in some of them some time in the future. I am very sure I shall frequently want to borrow money from them, and I want to be able to enjoy both functions of the banking system with perfect equanimity and a feeling of absolute security.

Very truly, yours,

I. C. COPLEY.

In reply to a note from me asking whether I might make use of his letter if I should desire, Representatives Copley said:

You are at liberty to use my letter in any way you see fit. I did not send it in confidence. My opinion of the comptroller's office is not confidential. I think the banks are in marvelous shape.

Under date of May 1, 1919, I had the honor to receive from another Member of the House of Representatives, also a Republican, a letter commenting upon a press statement given out by this office with reference to the condition of national banks, in which he said:

The facts you present are remarkable and bespeak of general prosperity throughout the country, also of the strength of our currency and banking system and the splendid executive ability of those in charge.

As a Republican and member of the opposite party, I wish to congratulate you upon the splendid showing you make.

I also introduce the following copy of resolutions, unanimously adopted July 17, 1919, by the board of directors of the chamber of commerce of my home city, Richmond, Va.:

RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS OF THE RICHMOND CHAMBER OF COMMERCE, JULY 17, 1919.

It appearing from the public press that an assault is being made upon Mr. John Skelton Williams and his administration of the high office of Comptroller of the Currency, which he has occupied with such distinction for several years past:

Resolved, That the Chamber of Commerce of the City of Richmond, of which city he has been a life-long resident, desires to put on record its perfect belief in the exalted integrity and high character of Mr. Williams and its admiration for the faithfulness, splendid efficiency, and entire impartiality with which he has administered his responsible office. And we tender our congratulations to this distinguished Virginian, that no complaint of his performance of public duties has come from any sources except from those, who seeking evasion of the law, are inspired by motives of revenge.

Teste.

[SEAL.]

F. D. DUNLOP, *Secretary*.

From the mayor of my home city I received the following letter:

OFFICE OF THE MAYOR,
City of Richmond, Va., February 25, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. WILLIAMS: Accept my congratulations upon the report of the committee favorable to your confirmation. It was just what I expected and wished. The whole country should be gratified.

Very truly, yours,

GEORGE AINSLIE.

From R. Goodwin Rhett, former president of the Chamber of Commerce of the United States, also president of the Peoples' National Bank, of Charleston, S. C., I received under date of April 24, 1919, a letter in which he said:

I think few will question that the national banks have been very materially strengthened during your administration. Many undoubtedly have chafed under

the additional work imposed upon them in working out plans of analysis which shall reveal the weaknesses, and those who have suffered through such revelation naturally are sore. Some of this is coming to the surface, but your service to the national banking system and to the country in making it a safer and saner depository can never be blotted out.

From J. A. Griffin, president of the Florida Bankers' Association, I received a copy of letter addressed by him under date of March 1, 1919, to a United States Senator, in which he said:

It is with regret that I note an organized fight is being made in the Senate against the confirmation of Mr. John Skelton Williams's reappointment as Comptroller of the Currency.

While I do not doubt but that you will zealously support him, I write to say that it is my sober and earnest conviction that Mr. Williams has made a splendid comptroller. He has energetically, capably, and fearlessly discharged the duties of his office. In many ways he has required the national banks of the country to more closely observe both the spirit and the letter of the law, thereby raising the standard of banking ethics, promoted better banking, and benefiting the depositing and commercial public which they serve.

Under date of March 8, 1919, a director in the Federal Reserve Bank of Cleveland wrote me as follows:

I have just read a copy of your communication to Congressman McFadden.

For a direct, dignified, overwhelming reply to his unwarranted charges your letter is unanswerable. You have the satisfaction of knowing that you have been the means of clearing up more banking practices that should never have been tolerated than all your predecessors combined, and I feel confident that when the facts are thoroughly understood by the Senate your confirmation will be certain.

Mr. Charles A. Lyerly, member of the Federal advisory council of the Federal Reserve Bank of Atlanta and president of the First National Bank, of Chattanooga, wrote me under date of June 6 as follows:

As stated to Senator McKellar, I feel very much interested in your confirmation; and if there is anything further that I can do, I hope you will command me. I would not be adverse to going before the Senate committee if I can do any good. Please understand this, and you have my permission to have me summoned if you so desire.

In a statement which Hon. Edward C. Stokes, former governor of New Jersey, chairman of the Republican State Committee and president of the Mechanics' National Bank of Trenton, voluntarily gave to the press, and which was published in the morning papers of June 30, 1919, the governor said:

The strength and security of the national banking system has demonstrated itself during the war, and is of vital importance to the depositor and stockholder who intrust their money to its care. Much of the strength and safety of the system is due to proper governmental supervision.

I started as a clerk when a boy in a bank in 1883, and I know of no comptroller who, I think, has been more efficient than Mr. Williams. His administration of the law has been painstaking and sane, with judicial consideration of extenuating circumstances, and practical difficulties in each specific case.

He has brought to the directors a better knowledge of the national banking law, and a better knowledge of the detailed conditions of the banks under their supervision, and stopped some of the careless ethical practices that grow up in the course of time in the hurry of business affairs. His work in this respect has added to the security and strength of the system, and should meet with the approval of every fair-minded banker.

My experience with Mr. Williams is that he has asked only what every honest banker ought to be glad and willing to do, both for the sake of his institution, and as an example of law observance in his community. It would be a great misfortune to the country if a man of Mr. Williams's character and experience should be forced to retire because, in the proper performance of his duty, he has aroused criticism and enmity.

The bank commissioner of Vermont, Hon. F. C. Williams, in a letter which I had the honor to receive from him under date of May 17, 1918, said:

I certainly think that you and your friends should all be gratified at the vindication of your course relative to the Riggs National Bank as indicated by this statement. It is very evident that you have compelled the respect of the bankers of the country in the attitude you have taken in the many very perplexing situations which have confronted you since your appointment as comptroller.

Mr. Herbert Fleishhacker, formerly member of the Federal advisory council of the Federal reserve bank of San Francisco, who is also president of one of, if not the largest bank in San Francisco—the Anglo & London-Paris National Bank, with resources of about \$100,000,000—wrote me under date of February 28, as follows:

I have just read with great pleasure the announcement that the Senate Finance Committee has recommended your reappointment as comptroller, and take this opportunity of congratulating you, and at the same time I think the national banks are to be highly congratulated upon having a man of your splendid integrity and ability at the head of this important department. Under your able supervision the banks of the country have shown a remarkable growth and are to-day in sounder condition than ever before in their history, and your foresight as well as careful and constructive judgment has been one of the large factors in bringing about this condition.

The same writer also said, in his letter to me of August 29, 1919:

I believe your administration has been highly efficient and fair, and have no hesitation in saying so. I was always glad of the opportunity which my three years' service on the Federal advisory council gave me of coming in close touch with yourself, during which time I found you not only fair but broad in all of your viewpoints, and it is a source of gratification to me to be able to testify to your integrity and ability.

I have been furnished with a copy of the following telegram, sent without my knowledge under date of July 2, 1919, to a United States Senator, signed by the presidents of six leading banks and trust companies of St. Louis, Mo., including two former presidents of the American Bankers' Association:

We strongly recommend John Skelton Williams for confirmation as comptroller and do hope you will vote for him.

WALKER HILL,
President Mechanics-American National Bank.
EDWARD B. PRYOR,
President State National Bank.
F. O. WATTS,
President Third National Bank.
JOHN G. LONSDALE,
President National Bank of Commerce.
N. A. McMILLAN,
President St. Louis Union National Bank.
BRECKENRIDGE JONES.

Messrs. Hill and Watts, whose names are signed above, are both former presidents of the American Bankers' Association. Mr. Hill is a director of the Federal reserve bank of St. Louis and Mr. Watts is the member of the Federal advisory council for the St. Louis district. A specially strong letter from Festus J. Wade, president of the Mercantile Trust Co. of St. Louis, is printed on page 385 of these hearings.

Mr. Logan C. Murray, a New York banker, and for two terms president of the American Bankers' Association, under date of July 18, 1919, sent me the following:

I see by the daily papers that the Senate Committee of Banking is holding hearings in the matter of your confirmation by the Senate.

I have been a bank officer for over 40 years, and during that time I have been quite familiar with all the Comptrollers of the Currency, and I want to say that my experience with the banks throughout the country generally, by reason of the fact that I was for two terms president of the American Bankers' Association and quite familiar with the banks of the country, and I have this to say, that no Comptroller of the Currency, in my opinion, based on this knowledge, has ever had so successful a management of the great system as you have put into operation, and the result of the few failures throughout the country of banks, as compared to what it was 20 or 30 years ago, is a most marvelous record.

I am satisfied that it has been accomplished by reason of your watchfulness and obedience to the laws of the national banks throughout the whole country.

I am speaking from the knowledge as indicated above, and I must say that I can not imagine the Senate not promptly confirming your nomination for a continuance of your, what I consider, most successful management of the banks of the country. I confidently hope that it may be that your great service may be recognized in this confirmation.

Mr. J. A. McCord, governor of the Federal Reserve Bank of Atlanta, under date of May 20, 1919, wrote:

Our observation and our review of the statements furnished to us by national banks show a more healthy condition than at any time in the past. We believe that there is a general tendency to see that all national banks are put upon a sound and safe basis, and that good banking principles are being adopted; and this is having its reflex influence upon the State institutions, who are turning in the same direction.

Hon. F. W. Cathro, director general of the Bank of North Dakota, under date of May 12, 1919, wrote me:

I want to avail myself of the first opportunity I have had since my appointment in connection with this new bank to offer my congratulations on your reappointment as Comptroller of the Currency, and sincerely hope that your appointment may be confirmed.

I realize the important work you have done for the country in connection with national banks, and am hoping that cordial relations may be established between your office and this new State-owned bank.

Mr. J. W. Stoll, describing himself as now and always a staunch Republican, former president of the Kentucky Bankers' Association and president of the leading national bank of Lexington, Ky., has furnished me with the following copy of a letter addressed by him to United States Senator Penrose, under date of June 25, 1919:

Hon. BOIES PENROSE,

United States Senate, Washington, D. C.

DEAR SIR: I understand that the question of the confirmation of Mr. John Skelton Williams as Comptroller of the Currency will come before the Senate Committee on Banking and Currency in the next few days.

In justice to a man of ability, and one who has filled a very difficult governmental position in a highly satisfactory way, I am taking the liberty of writing you and requesting that you give Mr. Williams your support. For nearly 40 years I have been an employee of this institution. I have watched the course of the various comptrollers who have occupied that position with great interest, and I unhesitatingly say that no man in all those years has filled the position with greater success.

Your attention is called to the fact that during the trying year of 1918 only one national bank in the whole United States failed, and that a comparatively small one in California. This condition is unquestionably due to a very great extent to the splendid administration of the office of comptroller by Mr. Williams, and I believe entitles Mr. Williams to reappointment and confirmation.

I recognize the fact that Mr. Williams has been exacting of the national banks in his management of the comptroller's office, but no more so than he should have been. I am thoroughly convinced that his insistence that the banks comply with the letter and spirit of the law has been the means of keeping the national banks in the splendid condition in which we now find them, and this after going through four or five years of most trying times.

As to my own bank, Mr. Williams has never required of us anything which was in the least unreasonable and which was not for the good of our institution. He has not hesitated to criticize us whenever any matter came up which did not meet with his approval, and in every instance his position has been the correct one. He has shown an amount of knowledge of the condition of the books which I have never observed in any other comptroller, which clearly indicates that he does not trust the affairs of his office to subordinates, but is himself in close touch with the situation in every part of our country.

All of these things I feel, Senator Penrose, entitle Mr. Williams to confirmation, and I sincerely hope that you will support him. I admit that there has been much criticism of his management of the office, but I have yet to learn where Mr. Williams's position was not the correct one. No instance of conflict between the comptroller's office and any bank has come under my observation where Mr. Williams's position was not absolutely correct.

My interest in the matter is entirely confined to my desire to see a faithful public servant continued in office. Politically, I am entirely opposed to Mr. Williams. I am now and always have been a staunch Republican. A member of my family is the chairman of the Republican county committee and at this very time I am myself being urged by many leading Republicans to become their candidate for State senator at the next election. I mention these facts to show you that I have no political interest in Mr. Williams's confirmation.

Very truly, yours,

J. W. STOLL, *President*.

Under date of May 19, 1919, I had the honor of receiving from Hon. Simon Bamberger, governor of Utah, the following letter:

I am deeply grateful to you for the information contained in your letter of May 7 and the circular accompanying it concerning the growth of the national banking system. The condition reflected in the data supplied is a little short of remarkable, and I take this opportunity of conveying to you my heartiest congratulations upon the wonderful showing.

Under date of February 26, Hon. W. A. MacCorkle, former governor of West Virginia, and now president of a national bank in Charleston, W. Va., telegraphed me as follows:

Can I be of any help to you with anyone? If so, let me know by wire. I would regard it as a great backward step in the banking system of the United States if you are not confirmed.

Your administration has been vigorous, earnest, and in the line of conservative banking and I am sure that every banker who wants a faithful administration and the trying out of new laws indorses the above statement.

Would be glad to be of any possible service to you, because I believe it would be of service to the country. I wire this both as a president of a national bank and as a citizen.

W. A. MACCORKLE.

Hon. Francis H. Weston, United States district attorney in South Carolina, who also had much experience as bank president and counsel for banks, wrote me under date of July 22, 1919, as follows:

I am shocked and outraged at the attacks made on you by Mr. McFadden and one or two others. I wish there was something I could do besides writing and expressing my entire confidence in your integrity. I have known in the course of my life many men, but I have never known of a cleaner man than you. In the course of your life it can be said without the least compromise with truth that you have lived up to the highest standard, and made, as I know, terrible sacrifices for your convictions. As a practical banker I know that the regulations promulgated by you have been in the interest of safety to the depositors and the stockholders. Your protection of those who borrow money from usury has no doubt offended many bankers who were taking advantage of unfortunate borrowers and defying the law.

Under date of March 26, 1919, Mr. John W. Boehne, Evansville, Ind., a director of the Federal Reserve Bank of St. Louis, wrote me as follows:

I am with you in your crusade against the crooked bankers of this country, and I hope you will win out in this case, as I know you will.

If the United States Senate will stand for sound banking and do the will of the depositors of this country, they will promptly confirm your appointment.

Under date of February 21, 1919, I received from a member of the Boston (Mass.) bar a letter in which the writer said:

May I express heartiest indorsement your administration, Comptroller of Currency, particularly fair, courageous, and efficient manner in which you have handled financial aspects, Boston & Maine problem. Shall be very glad to be of any possible assistance in support confirmation, reappointment, either before committee now holding hearings or otherwise as may be agreeable to you.

Mr. F. W. Foote, director of the Federal Reserve Bank of Atlanta and vice president of the First National Bank of Hattiesburg, Miss., in a letter to this office under date of June 24, 1919, said:

You have been of great assistance to the national banks. The fearless, practical course you have pursued in advising the American public of facts concerning banking conditions has contributed immensely to increased public respect for national banks. As a result thereof the national banks possess greater influence and efficiency, and that being true, the Federal Reserve System, one of the principal limbs of the Nation, increased correspondingly in strength and usefulness. The State banks have raved, little appreciating that the natural functions of your office demand that its efforts be put forth in this regard in a frank manner. State banks by the nature of relations are opposed to national banks, and it even extends in a degree to the reserve system. The fact that your efforts are outstandingly prominent has been the cause naturally of a great deal of discussion, on the principle that one howls when hit. But it has done a lot of good. The discussion occasioned debate throughout the country to much educational advantage, the facts necessarily drifting the neutral mind to the logical conclusion. And the inflamed individual even recognizes down in his heart that you are justified in giving the public full advices regarding banking.

I think your propaganda in the interest of national banks, and indirectly in the interest of the Federal reserve system and the entire public, has made a strong contribution to the public welfare and has materially increased the strength of national banks and the Federal reserve system.

Harrison Nesbit, president of the Bank of Pittsburgh, N. A., one of the largest and most successful banks in Pennsylvania, sent me a copy of the following letter addressed by him to a United States Senator:

JULY 22, 1919.

MY DEAR SENATOR: Without the knowledge or request of Comptroller Williams, and merely with a view to placing before you the experience of our institution as well as our opinion of the comptroller's administration, I take the liberty of submitting the following, to wit:

As you are aware, the Bank of Pittsburgh, N. A., is one of the largest national banks in Pittsburgh, which gives us an opportunity to fairly well judge the efficiency of the comptroller's office. Our entire experience gives us nothing but a favorable opinion as to the financial judgment of Comptroller Williams and of the efficiency of his office. We believe he has been one of the most capable comptrollers and has courageously fulfilled the duties of his office by requiring strict compliance with all the provisions of the national banking laws. We do not believe that he imposes any conditions which a bank should not readily meet. Our idea is that Comptroller Williams has improved and developed bank examinations and other important features of his office to a point of greater efficiency.

Knowing that you desire full expression from those living in your district, I take pleasure in recording my views upon this subject while the matter of confirmation is still under consideration. I sincerely hope that you may see your

way clear to vote for the confirmation of Comptroller Williams, as I believe that his judgment and capabilities as well as his efficient administration of the office fully entitle him to confirmation.

With kindest personal regards and best wishes, believe me to be,
Yours, very truly,

HARRISON NESBIT, *President.*

President Brown, of the Citizens' National Bank of Raleigh, N. C., on June 19, 1919, said:

I have watched this growth with a great deal of interest, and more gratifying than the increase in the number of banks is the apparently very much better condition of those that have been already operating. I am sure that in the rest of the country the same conditions prevail that exist in North Carolina, and here, undoubtedly, the national banks were never in such excellent condition.

I am fully aware that often the banks have criticised the comptroller for some of his requirements that seemed useless to them, but I am equally sure that all agree that under your administration the system has been very much improved.

The president of a national bank in New York City, with assets of over \$50,000,000, wrote me under date of September 11, 1919, as follows:

I have read with a great deal of interest your letter to the Banking and Currency Committee of the United States Senate, and have, in fact, followed along with much interest the unjust and malicious endeavors of your enemies to malign you.

Personally, I do not believe the matter is taken seriously, for all reputable bankers in the United States know your honesty, endeavors of purpose, and the extraordinary results you have created under the national banking laws of this age.

I believe 99 per cent of the bankers in the United States would be pleased to express this in writing in the same fashion that I have.

I trust that your annoyance in this direction may soon be a thing of the past, and if there is any fashion in which I can serve you, you have only to command me.

The chairman of the National Bank of Commerce, Kansas City, Mo., Mr. W. T. Kemper, furnished me with the following copy of a telegram, which he courteously and without my knowledge or request sent, under date of July 9, 1919, to a United States Senator:

I feel very sure I am expressing the views of a very large majority of the national bankers of Missouri when I urge you to support the confirmation of John Skelton Williams as Comptroller of Currency. We have never had a more conscientious, painstaking, fearless, fair comptroller than John Skelton Williams. Many bankers who formerly opposed Williams now realize his true worth and are anxious for his confirmation.

W. T. KEMPER,

Chairman National Bank of Commerce.

Under date of February 26, 1919, I received from the cashier of the First National Bank of Madison, Ill., the following letter:

As an official of a small link in the great chain of national banks of this country, I wish to express to you my gratification at the action of the Senate committee in reporting favorably on your renomination to your present office. I do not see how any sensible man who has at heart the interest of the country's banking institutions could oppose your renomination when your administration of the comptroller's office has been so highly efficient, so strictly following the letter of the law, and so just.

Allow me to say to you that the relations of this bank with your office have been exceedingly pleasant. Your requirements of us have never been arbitrary. On the contrary, they have been reasonable, and your attitude has at all times been helpful. Under your administration national banks have been placed on a higher plane of safety than ever before, and the record of one failure last year is one to excite the admiration of anyone who has the welfare

of the people of this country at heart. You have rightly held that national banks should be conducted in the interest of the shareholders and of the people at large. You have insisted upon a strict observance of the law, both in letter and spirit. No sensible man would ask more, and no honest man could ask less.

President Fishburn, of the Merchants' National Bank, of Los Angeles, Calif., on May 22 wrote:

The country is to be congratulated upon the soundness of its national banks, due in part, I think, to the Federal reserve system, and as much, perhaps, to the close supervision of the comptroller's office under your management. I have noted with some interest the complaints and criticisms of your rigid supervision, but if the bank operations conform to the requirements of the law there is nothing to fear from such supervision, and the so-called annoying details in statements and reports required are more than offset by immunity from failure. Rigid supervision is certainly preferable to carelessness or indifference in the comptroller's office.

The president of the Carolina National Bank, of Columbia, S. C., under date of February 21, 1919, wrote me as follows:

We notice that some fight is being made against you before the Senate Committee on Banking. I therefore take the liberty of addressing Senator Owens, chairman of the committee, the following telegram:

"We regret to see that some fight is being made against the Hon. J. Skelton Williams, Comptroller of the Currency. I have known Mr. Williams in business affairs for more than a quarter of a century and am intimately acquainted with his administration of the office of Comptroller of the Currency and appreciate the good work that he has done in that capacity. I therefore desire to place before your committee as a matter of information the hearty indorsement of this bank of his administration as Comptroller of the Currency and fear that any interference with his administration will prove an injury to banking institutions of our country. Any consideration which you may give to these views will be highly appreciated by this bank.

"W. A. CLARK,
President, the Carolina National Bank."

I therefore trust that the testimony of this bank will be of some service to you.

Cashier Hunter, of the National Valley Bank of Staunton, Va., on June 16, 1919, in a letter said:

We have received and read with interest the transcript of the hearings before the Banking and Currency Committee of the Senate which you sent us, and while we recognize that this institution is but a small cog in the tremendous machine over which you preside, yet it has occurred to us that it might not be improper, in view of the various and conflicting newspaper reports and alleged expressions of opinion from certain bankers, if we were to take the liberty of conveying to your office the hope that we might not be considered as in any sense subscribing to, or being in sympathy with, any of these unjust criticisms.

Since 1865 our institution has been fortunate in being officered and directed by men whose interests in this bank were foremost in all of their commercial endeavors, and for this reason, plus the writer's practical experience as a Virginia State bank examiner from 1910 to 1913, intensifies our abhorrence of such practices as are ventilated in the transcript which you sent us. Our surprise is not that you have assailed such methods, but that you have not used more drastic means to drive such influences out of the national-banking field.

The president of a successful national bank in the interior of Pennsylvania on May 1, 1919, wrote as follows:

Your letter to Representative McFadden should cause him to crawl into as small a hole as is possible and then pull the hole after him. No wonder such fellows want the office of comptroller abolished. The present incum-

bents are entirely too vigilant in the interests of national banks and their stockholders for their comfort.

Sift out the comparatively few who seem to be opposed to your strict and unbiased legislation in office, and in every instance they will prove themselves to be deliberate Democratic administration faultfinders or the class in which McFadden circulates. Your letter to McFadden deserves to be read not only by every president of national bank but by the cashiers, assistant cashiers, and boards of directors as well. The latter depend entirely too much upon the officers of a bank in the conduct of its business methods. Especially is this the case in country districts.

It is my opinion that too much leniency is shown to officers and directors of national banks who disregard and continue to violate instructions from the department. History proves that in nearly every case these are the banks which sooner or later become insolvent, due to unlawful advantages exercised for personal advantages.

The chairman of the board of the largest national bank in the entire South, the Merchants-Mechanics First National Bank, Baltimore, Md., has courteously furnished me with a copy of a letter which, without my knowledge, he wrote to a United States Senator under date of August 25, 1919, in which he said:

I have known Mr. Williams for many years and feel absolutely sure the opposition to him is caused by his desire and determination to make all banks conform to the rules and regulations of the United States Revised Statutes. I feel absolutely sure that he has given no bank any trouble whose officers were managing their institutions along legitimate lines and conforming to the national bank act.

President Freeman, of the Merchants' National Bank, of Topeka, Kans., July 19, 1919, wrote:

Observing that there seems to be hesitancy on the part of a few Senators to promptly confirm your reappointment, I have taken the liberty and pleasure of addressing Senators Curtis and Capper regarding the matter, and it is my confident hope that results will not be to your disadvantage.

Trusting that the victory will be yours and that we may have the privilege of further aiding you in the continued development of the best banking system on earth, I am, etc.

In a letter dated June 28, 1919, President Homer, of the Second National Bank of Baltimore, said:

The data setting forth the character and motives of opposition before the Senate committee to confirmation of the Comptroller of the Currency has been carefully examined by me. You are to be congratulated in that the opposition is almost exclusively of such origin. It must be a source of satisfaction to you to know that, by your painstaking work in the cases of similar character, you have weeded out many weak spots in the national bank system. If all of the opposition arose from such sources your nomination should and ought to be confirmed without hesitation.

Mr. N. A. McMillan, president of the St. Louis Union National Bank, under date of June 25, 1919, wrote:

The record as to national bank failures in the period referred to by you has been most excellent, and I hope and feel that the same will continue for the future. We have been in the system less than 30 days, but believe that we made a good move and feel that our experience in the future will justify the change to the national system.

Mr. A. D. Graham, president of the Citizens' National Bank of Baltimore, the second largest bank in the State of Maryland, under date of August 6, 1919, wrote me as follows:

I have been connected with the Citizens' National Bank for over a quarter of a century, and I want to go on record as saying that the examinations that are now being made by your examiners are no more like those that were made

under your predecessors than a \$20 gold piece is like a lead quarter. It is my firm belief that you have done more to further the interests of good banking methods than all of the comptrollers put together since I first entered the bank as a bookkeeper in 1892. I hope the time may soon come when practically all of our State banks and trust companies will find it to their advantage to join with us, in order that we may have one united system.

Under date of July 28, 1919, I had the honor to receive from the chairman of the railroad commission of Kentucky, Hon Lawrence B. Finn, a letter in which he said:

I have been discussing the unholy warfare being waged against you by certain interests which have felt the strength of an honest administration by a worthy public official, and I called * * * attention to the fact that as far back as January 10, 1916, I had predicted just such a result. I happened to preserve my letter to you, and I shall quote some paragraphs from this letter, which indicate how accurate my predictions were:

"It requires courage to speak so plainly concerning the evils of a system so powerful as the banking interests of this Nation. Your fidelity to just policies in opposition to indefensible practices should commend you to the good graces of the fair-minded people of this Nation. Unfortunately, however, not enough individuals study public questions from an unselfish, patriotic standpoint. The people as a whole have no organization to protect them. The interests are closely allied for a common purpose and every day are devising plans and ways to prevent just legislation, or, if possible, to evade the law after it has been passed, or to secure men who will serve their interest whose duty it is to execute the law.

"Mark this prediction, you will have a hard time holding your position. The big interests of the country with whom the banks are closely allied will bring much pressure to bear from many sources."

The editor of the Commercial Appeal, of Memphis, Tenn., whose circulation is one of the largest in the entire South, in a letter under date of March 10, 1919, wrote me as follows:

You have done a great work, Mr. Williams, in the office of comptroller. In the beginning certain things you did startled me as an editor, and only my knowledge of your past career, which was splendid, caused me to withhold comment, but very soon I saw that you were driving at the very heart of the right thing.

Mr. Edward Frensdorff, a bank director of Hudson, Mich., in a statement published in the press, said:

It looks to me as if the same crowd that led the desperate but unsuccessful fight against the currency law and the Federal reserve banks, has started another crusade against an administration that will not be dictated to * * *. Comptroller Williams can be relied upon to enforce the law and rules governing his department without fear of favor, and all banks can be assured of impartial but rigid enforcement of every regulation.

As a bank director and depositor I am anxious that every official exercise the same vigilance and equal inquisitiveness. Banks are busted from the inside, not from without, and every precaution taken to protect the credit of banks should be upheld by bankers who want the confidence of the public.

I am quite sure the developments of the Riggs Bank fuss will demonstrate to every fair-minded person that our national banking system was never in safer or more competent hands.

From Gainesville, Tex., I had the pleasure of receiving from Mr. J. W. Powers, a leading business man and banker of that section, a letter in which he said:

As a former banker, with an experience extending over 25 years in banking, I desire to commend and congratulate you upon the stand you have taken in the affair of the Riggs National Bank.

From my reading on the matter, it seems clear to me that they have been indulging in practices that are absolutely contrary to sound banking. When

reprimanded they have evidently felt they were above the ordinary rules, and were superior to the rulings of the department.

The question to be decided now seems to be, whether the banks are to run the Government, or whether the Government is to control the banks.

The following extract is from a letter received from Mr. John T. Griffin, president of the Merchants' and Farmers' Bank, of Portsmouth, Va., the leading State bank of that section, and was written under date of September 11, 1918:

I want to congratulate you, that after all the troubles and worries that you have had, that so far as I can learn, all have passed away, and you are now receiving the thanks and congratulations of the country at large.

I think it was Bulwer who said "That if a man were never to tread on a snake or worm during his life, he must sit in his armchair from the day of his birth to the day of his death."

I was first attracted to you by the enemies you made before I knew you well. * * * As I have moved around among people from different sections of the country, I have looked into their relations to you, and I am glad to say that I find none who are not disposed to honor you for the great work you have done.

Under date of May 18, 1918, I had the honor to receive from the bank commissioner of Massachusetts the following letter:

COMMONWEALTH OF MASSACHUSETTS,
OFFICE OF THE BANK COMMISSIONER,
Boston, May 18, 1918.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. WILLIAMS: I have received your favor of the clipping of the retraction in the Evening Sun, in regard to the Riggs National Bank matter, which gives me great pleasure and satisfaction.

It is gratifying to have a friend vindicated in the same place where he has been falsely maligned, and to see your vigorous and right course of action acknowledged to be such by those who had opposed it. I believe one is bound to stand up for his personal integrity whenever it is assailed, and yet, by reason of my official position, I have many times felt handicapped in so doing. Whenever one goes straight ahead and attacks errors which have been improperly overlooked, and which have become a habit, it has been my experience that the personal attack is the more bitter because of the want of argument, so I heartily sympathize with the injury done and with the gratification you have a right to feel in this recognition, even by your opponents, of your high-minded action in office.

With my cordial regards, I am,

Very truly, yours,

AUGUSTUS L. THORNDIKE.

When the railroads were taken over by the Government in January, 1918, I accepted, at the request of Director General McAdoo, the office of director of finance and purchases. The duties of that office were exacting and laborious and were performed without remuneration.

In March, 1919, when the war was over, I asked to be relieved of these additional duties, and upon receipt of my resignation, Director General Hines wrote me, under date of March 8, 1919, the following letter:

UNITED STATES RAILROAD ADMINISTRATION,
WALKER D. HINES, DIRECTOR GENERAL,
Washington, March 8, 1919.

DEAR MR. WILLIAMS: I have your letter of 7th instant. In accepting your resignation as Director of the Division of Finance and Purchases I wish to testify in the most unqualified terms to the patriotism, integrity, and self-sacrifice with which you have at all times discharged the heavy additional duties which resulted from your unselfish acceptance of this important adminis-

trative position with the Railroad Administration. I have never come in contact with higher motives of public service than those which have consistently characterized your handling of the work in the Railroad Administration.

It is a great satisfaction to me to know that while you are no longer in position to perform the burdensome administrative functions with which the Division of Finance and Purchases has been charged, you will still be able to give me the benefit of your wise counsel, long experience, and high standards of public service. In order to get the fullest benefit of these aids to my work, I have asked you to accept the chairmanship of a finance committee which will be expected to submit to the director general from time to time its advice on matters of financial policy, and also to make to the director general preliminary reports on any proposed reorganizations which may require his approval. I have also asked you to accept the chairmanship of an advisory committee on purchases, which will be charged with authority to investigate and advise on important questions of policy involving purchase of materials and supplies for the railroads. I shall, of course, rely upon your continuing to participate in the Railroad Administration's staff conferences and to preside at those conferences in my absence. I have the highest satisfaction in knowing from our discussions of the matter that you will continue to assist me in those important capacities.

In conclusion, I wish to offer my profound thanks for the untiring and unselfish devotion which you have manifested to the Railroad Administration throughout its existence, and for the invaluable assistance you have given in its most pressing and important problems.

Sincerely, yours,

WALKER D. HINES.

HON. JOHN SKELTON WILLIAMS,
Washington, D. C.

I now ask that there be included in this record the following letter which, under date of December 14, 1918, I had the honor to receive from Hon. William G. McAdoo, then Secretary of the Treasury and Director General of Railroads:

THE SECRETARY OF THE TREASURY.
Washington, December 14, 1918.

MY DEAR WILLIAMS: Before I surrender my commission as Secretary of the Treasury, I wish you to know how much I appreciate the unswerving and loyal support you have given me throughout my term of office.

You responded to my invitation at the very outset of my official career to become Assistant Secretary of the Treasury in charge of the fiscal bureaus. You then consented, at my request, to take the office of Comptroller of the Currency, one of the most important in the Treasury Department, and at that time rendered doubly so because of the organization of the Federal Reserve System and of the new duties which were thereby imposed upon the Comptroller of the Currency.

When I became Director General of Railroads you consented, at my request, to become Director of the Division of Finance and Purchases, one of the most responsible in the Railroad Administration. You assumed these new burdens cheerfully, notwithstanding the fact that your duties in the Treasury Department and with the Federal Reserve Board were of the most exacting and laborious character.

To all of these were subsequently added membership on the Capital Issues Committee, which in turn demanded intelligent discrimination and painstaking service.

In every one of these vital and essential responsibilities, you have acquitted yourself with rare courage, devotion, industry, and patriotism. You have been indefatigable and unsparing of self throughout all the critical times of the past six years, and especially during the past 20 months of war. Your enthusiasm and determination have never been diminished by any obstacles, however formidable, nor by any criticism or misrepresentation, however malignant and unjustified. You have suffered from misrepresentation to an unusual degree, because you have had the courage to enforce the law without fear or favor. No man who fills the office of Comptroller of the Currency will ever be popular if he administers it with impartiality and justice.

When the impartial history of the great times through which we have just passed shall have been written you will be accorded a high place as an unusually able and fearless public official who has made the office of Comptroller

of the Currency what it should be—a potential influence for sound and clean banking—banking conducted with reference to the just interests of those, high or low, who have to do business with banking institutions. You have stood consistently for high ethical standards in the banking world as well as in the business world, and the good influence of your work will be felt permanently in the financial system of the United States.

One can not be a reformer or a crusader for conscience and justice without incurring the enmity and malignity of the entrenched selfishness of those who have profited by other methods, but one can, nevertheless, have that fine satisfaction which comes from the clean and high-minded discharge of duty, regardless of personal consequences. This you have done—you have been a faithful servant and a fearless patriot.

While our official relations will soon be severed, our personal friendship shall never be altered, so far as I am concerned. And wherever your lot may be cast I shall follow you with the affectionate solicitude of a genuine and devoted friend.

Cordially, yours,

W. G. McADOO.

HON. JOHN SKELTON WILLIAMS,

Comptroller of the Currency, Washington, D. C.

I do not wish to take up further space with a mass of commendatory newspaper editorials and articles which have come to me from various sections of the country, but I shall take the liberty of inserting just a few examples from newspapers from regions near by and remote.

The first to which I now ask your attention is from the New York Evening Sun of April 27, 1918:

A STATEMENT IN JUSTICE TO MR. JOHN SKELTON WILLIAMS.

A letter received a few days ago from John Skelton Williams, Comptroller of the Currency, calls our attention to an editorial article printed in this newspaper more than three years ago, at the height of the bitter controversy between the comptroller and the Riggs National Bank, of Washington. At Mr. Williams's suggestion we have reexamined the statements of that article and compared them with the facts submitted by him as justifying, in his opinion, the correction of misinformation and the reparation of injustice done him.

In general he objects to the Evening Sun's characterization of his activities in that case; and in particular he objects to the specific declaration that his assertion was not true wherein he stated that the Department of Justice had taken up certain irregularities of the bank and had employed special counsel to prosecute them.

In Mr. Williams's letter to us he explains as follows the delay of three years in taking up with us the matter of this editorial. He says on this point:

"My first impulse to seek redress for what I regarded and yet regard as a scandalous and unjustifiable attack on my personal and official character was restrained by advice against complicating the case with a newspaper controversy.

* * * Since the trial referred to I have been intensely absorbed, first, with the duties my office requires of me in connection with the establishment and operation of the Federal Reserve System, and later with the new questions and labors resulting from the war. Recently I realized that while I was putting this matter of my own defense aside for other duties I was hazarding my right to appeal to the courts, if all other means for obtaining redress failed me."

The incident of the Riggs National Bank prosecution occurred more than a year before the present ownership and management of this newspaper had come into control of its utterances. While this fact of date has no relation to the continuity of journalistic responsibility, it may have some little value on personal aspects of the matter. In the second place, the idea of legal proceedings to procure editorial justice is neither necessary nor of any moment, the time limit for a court test of such question having passed by more than a year. But this fact is of no consequence so far as concerns our attitude in the matter, which is to do justice to Mr. Williams voluntarily and whole-heartedly, in so far as justice can be done, by acknowledging in these columns that the editorial in question never should have been printed. It was intemperate in respect to

general criticism and without facts to justify the accusation of untruthfulness on the part of Mr. Williams.

The writer of the editorial may have had some statements from Washington that seemed to warrant his conclusion, but clearly they were not of sufficient weight to merit drastic editorial criticism. That in every respect Mr. Williams acted in good faith in the Riggs Bank controversy and with conscientious regard for the duties of his office, and with the strictest regard for accuracy in all statements, the Evening Sun has no doubt whatever.

In fact, this newspaper has come to look upon Mr. Williams as an exceptionally able man, straightforward, clear-headed, aggressive, and a prodigious worker. And the Evening Sun is glad to record here the fact that the prejudices in financial circles against Mr. Williams in the early days of his connection with the comptroller's office have given place to the opinion which the Evening Sun now has of the comptroller. It is certain that the comptroller's office in many years prior to Mr. Williams's incumbency did not have the rigorous business handling which it has had under him. Mr. Williams at once put the office on a sound business basis. He is a thoroughgoing business man, who brooks no luxury of methods anywhere.

This censuring and censurable editorial evidently was a reflection of the general feeling in the financial world at the time it was written. Mr. Williams's vigorous and revolutionary methods in the comptroller's office brought about an embittered prejudice against the new comptroller, and this prejudice was sharply accentuated by the Riggs Bank case, bankers here and elsewhere very generally taking the side of the Washington bank. The Evening Sun's editorial was the fruitage of this prejudice. This is the only reason we can find for its publication, and it is no justification.

Mr. Williams was quite right in resenting the article and is quite right in asking that this newspaper retract the accusation of misrepresentation by him. This the Evening Sun cheerfully does.

The following editorial is from the Wall Street Journal (New York) of June 13, 1916. I ask your especial attention to the statement in this editorial that—

* * * the court offers an opinion which is decidedly at variance with the first interpretation of this decision, printed in this and other newspapers on June 1. It is only fair to the administration's financial officers to say that the court, to a very large extent, upheld the position taken by the Comptroller of the Currency.

The misleading reports first sent out were presumably due to the activity of the Riggs Bank's paid publicity agent who has so frequently been commended by Mr. Hogan. Mr. Hogan had also before your committee commented upon the "accuracy" of the very press reports to whose incorrectness the Wall Street Journal refers.

[Editorial from the Wall Street Journal of June 13, 1916.]

In a decision by the Supreme Court of the District of Columbia, in the equity case of the Riggs National Bank against the Comptroller of the Currency, the Secretary of the Treasury, and the Treasurer of the United States, the court offers an opinion which is decidedly at variance with the first interpretation of the decision, printed in this and other newspapers on June 1. It is only fair to the administration's financial officers to say that the court, to a very large extent, upheld the position taken by the Comptroller of the Currency. The opinion extends to 72 folios and, to a lay mind, is wordy and involved. One lawyer who read it impatiently declared that it almost needed another adjudication to decide upon its meaning.

It does, however, disclose the fact that in the opinion of the court, the comptroller has the power to impose penalties for noncompliance with his demand for reports. In the Riggs case, however, the comptroller did not take the necessary steps to demand the fine before proceeding summarily to collect it. Therefore, that part of the case was decided in favor of the Riggs Bank. Every other count in the bill was decided adversely to the Riggs Bank and substantially in favor of the comptroller. So far from the court holding "that the reports must be only on the condition of the bank and not deal with the bank's management," the opinion quotes from *United States v. Graves* (53 Fed. Rep., 634) :

"What is the object of these reports" (the general reports) "to the comptroller? Undoubtedly to advise him as to the condition and method of management of the bank."

Thirteen pages of the report, from folio 50, upon which this occurs, contain a discussion on this point, upon which the comptroller is upheld.

There is no other inference from the opinion of the court than that the comptroller is restrained from collecting the \$5,000 fine he imposed merely because he did not follow the correct procedure. Whether such power should be lodged with the Comptroller of the Currency, or whether that officer is superfluous under the Federal Reserve System, need not be here discussed. The effect of the decision is as here stated.

The following is an editorial from the columns of the *Christian Science Monitor* of Boston, Mass., of January 25, 1916.

The Comptroller of the Currency, John Skelton Williams, has magnified his office as have none of his predecessors. His oath having bound him to perform certain duties, he has done them. Hence his popularity with officials and citizens whose records he has investigated and whose accounts he has studied is not so marked as it is with the general public.

One of the trails that he has followed, and by so doing has stirred up animosity against himself, has led to surprising disclosures that involve the national banks and their charges of usurious rates of interest.

Armed with indisputable evidence backing his charges, Comptroller Williams has been arguing before legislators for an amendment to the national banking laws that will enable the Department of Justice to proceed against banks so unjustly using their power, which often is monopolistic in the rural regions of the South and in the pioneer communities of the Southwest and Northwest. The outcome of this appeal by the comptroller can hardly be doubtful. It is a simple problem in elementary justice dealing with a propensity of the creditor class that society has had to check since very early times. A national-bank charter can not be allowed to be the shelter of men who would fleece their fellow citizens. The Nation can not be less sensitive to honor than are the States. Consequently there is only one thing to do, now that the facts are known. A way, short of withdrawal of the charter, should be found, by which offenders may be punished; and such work of prosecution naturally falls to the Attorney General on recommendation of the comptroller. Specific granting by Congress of such power will at once set in operation legal machinery that should bring relief to the farmers and merchants of regions now held in a form of slavery that is none the less odious because pecuniary and economic, though not political.

Editorial from the *Columbia (S. C.) State*, of September 3, 1919:

AN ENFORCER OF LAW.

Surely enough time has elapsed for the Senate of the United States to give due consideration to the reappointment of John Skelton Williams as Comptroller of the Currency.

The people of the United States, without regard to party affiliations, are convinced that Mr. Williams has proved an exceptionally able and honest comptroller. Entering the office, he at once set out to enforce the national banking laws, some of which had been honored more in the breach than in the observance, with the result that a more uniform and strict adherence to the regulations whereby the funds of the people intrusted to them prevails than at any time in the past. Recognition of their custodial responsibility has been consistently pressed upon the bankers by Mr. Williams, and nowhere is a banker to be found, barring perhaps less than half a dozen to whom his high conception of banking obligation was distasteful, who will not admit that his administration has resulted in substantial and valuable reforms. Mr. Williams has simply insisted that no law of national banking should be a dead letter. He put an end to the ancient abuse of overdrafts, with its demoralizing tendencies; he compelled banks to be more exact in relation to the acceptance of mortgages as collateral, to the greatly enhanced protection of depositors, and in numerous other ways, all in conformity with statute laws, he exacted greater care in banking methods.

Mr. Williams has been and is a conspicuously useful, honest, and devoted public servant and the people know it. Had he been easy-going, he would have fewer enemies and the public would have had less security.

The following editorial is from the News-Leader of Richmond, Va., August 22, 1916:

POLITICAL ENEMY APPRECIATION.

In debate in the House Friday, in which the Federal Reserve System figured incidentally, Representative Hill (Republican), of Connecticut, voiced high appreciation of two Virginians. Mr. Hill was not prepared to admit, as some have contended, that the system had mitigated the "abuses of usury in certain sections of the country." It was the man, not the system, which had done that, he argued. And he added:

"The Secretary claims that the system has mitigated the abuses of usury in certain sections of the country. There is nothing to the claim, for it is a man and not a system which has done that. The man who is entitled to credit is the Hon. John Skelton Williams, acting in the capacity of Comptroller of the Currency, and he is entitled to the thanks of the country for it. He began the work by exposing abuses three weeks before a Federal reserve bank was organized, taking it up first with the city banks and then following it up in the country districts. It took nerve and courage to do it, but the effect of the publicity given to the abuses has reached straight down into the State bank system, over which the Federal Reserve Board has had no control whatever."

Then Mr. Hill, after reluctantly admitting that "there is enough good in the Federal Reserve System to justify its existence as a step toward better things," and following recognition of the "study, good sense, and the sound money principles of Carter Glass," continued:

"For what good there is the country may, first of all, thank the Hon. Carter Glass, of Virginia, who from the very beginning, to my personal knowledge, stood like a rock against the adoption of the financial heresies of some of his party associates of high and low degree."

Mr. Hill's allusion to financial heresies—differences of the past between Mr. Glass and some of his associates and in the laborious work of perfecting the new act—is apart of the mark. Also is the fact that Mr. Hill's speech was largely political and in criticism of the administration. The point is that neither of these considerations detract from the justness of his tributes to Mr. Williams and Mr. Glass. However unfair he may have been to others, he was fair to these two Virginians. However narrow and partisan his view of the general subject he was discussing, his vision broadened and his partisanship halted upon confronting these two individual and personal cases. That much must be said to his credit.

The fourth is an editorial from the Pacific Banker, published in Portland, Oreg., and Seattle, Wash., July 26, 1919:

ANOTHER DEFENDER—OUR ATTITUDE ON COMPTROLLER WILLIAMS THOUGHT UNFAIR
BY SAN FRANCISCO BANKER.

Last week there was published at the head of our editorial columns a letter wherein a very good friend, who disagreed with the view we have expressed relative to John Skelton Williams, Comptroller of the Currency, pointed out certain things he thought entitled Mr. Williams to credit we had not given. A short time ago a similar letter was received from Herbert Fleishhacker, president of the Anglo & London-Paris National Bank, of San Francisco. Actuated by the same motives which led to the publication of the other letter—our sincere desire that our columns shall always be open for expression of opinion honestly different from ours—we have obtained permission from Mr. Fleishhacker to print the letter, which said:

"DEAR MR. BAKER: My attention has been called to an editorial in the Pacific Banker of April 26 in which you say:

"So far as we can see, with very few exceptions, Mr. Williams has antagonized the whole personnel of the national banking system. Whether we are right in our diagnosis as to the cause, the fact exists. And that is sufficient. The system will not grow as it should under his administration. His manner, which some call malicious, others honest, but all unfortunate, will prevent that and is preventing it.

"* * * He can not be considered efficient, for the reason that he has turned his whole flock, practically without exception, against him."

Knowing your broad-minded policies and fairness of purpose, I feel free to write you in an endeavor to correct what I consider is a wrong impression in regard to Mr. Williams and his administration of the office of Comptroller of the Currency. From information I have received, it would appear that there has been a gratifying increase in the number of banks added to the national system during Mr. Williams's administration and a remarkable immunity from bank failures—only two banks having closed, I believe, during the past year and a half.

Possibly Mr. Williams, or his official staff, have made some errors of judgment during the past trying years in our history, but what big man in Washington has not made a few mistakes? Knowing Mr. Williams as I do, I do not hesitate to give him full credit for a high intention and thoroughly conscientious purpose in every official act that has come to my notice. It is true that some additional work has been placed upon the banks in the way of reports, but this is largely on account of the rapid development of our Federal Reserve System and the necessity of obtaining specific statistics along certain lines.

In my judgment, the national banking system was never in a more healthy condition than it is to-day, largely on account of the able and constructive administration of the comptroller's office.

I am writing you in this way as a matter of fair play, and because I have admired Mr. Williams's sterling qualities and absolute honesty of purpose. I feel confident that bankers in general will bear me out in my statement that our comptroller's administration has been exceedingly helpful and eminently successful.

May I not ask you to give Mr. Williams credit for the big things he has accomplished, the high standard of efficiency he has maintained, and the splendid results he has obtained?

I shall also take the liberty of inserting in the record the attached article from *The Outlook* (New York) of June 5, 1918:

THE COMPTROLLER OF THE CURRENCY—THE MAN AND THE JOB.

[By Theodore H. Price, editor of *Commerce and Finance*.]

[After the Secretary of the Treasury, whose adjutant he is, the Comptroller of the Currency is the most important officer of finance in our Government. He has directly under his control some 7,700 national banks, whose resources now exceed \$18,000,000,000. He also has supervision of all currency issues and is ex officio a member of the Federal Reserve Board. The present comptroller, John Skelton Williams, holds several other important positions, but his office, considered entirely in the light of the banking power that is under his direction, makes him one of the most responsible and influential financial functionaries in the world. As such we think that the following description of the present comptroller and his many activities is of timely interest to the readers of *The Outlook*.—THE EDITORS.]

Of Lloyd George it has recently been said: "If ever there was a man who glories in conflict and eats trouble alive, it is he. It is the breath of his life, the flint that strikes sparks from his steel."

These words are as applicable to John Skelton Williams as to Lloyd George, for ever since the Comptroller of the Currency has been in public office, and long before, he has been eating trouble alive, and his appetite seems to grow by what it feeds upon.

He may be described as the man who has put the office of the Comptroller of the Currency on the map; for while nearly every one knows that he has filled that position for some years now, it is to be doubted whether there are many persons in the United States who can name any of his predecessors. While the office, first established in 1863, has been held by some men who subsequently became prominent as bankers, it can hardly be said that any of them were, during the time of their incumbency as Comptroller, the national figure that John Skelton Williams is to-day. It may perhaps be true that the conditions have favored Mr. Williams, for he has been in office during a period in which the constructive man has had unusual opportunities, but if he had not been constructive and forceful he might have remained Comptroller without impressing himself upon the country as he has.

As there is a Comptroller of the Treasury as well as a Comptroller of the Currency, and the financial machinery of the Government is becoming so multiplex that there are but few who understand which functions the various agencies perform, it may be well to explain just what duties Mr. Williams is charged with. Under the law creating his office, which was passed concurrently with the national bank act in 1863, he was made responsible for the is-

suance of the currency authorized by Congress, including especially the then newly authorized national bank notes, and the supervision of the nationalized banks by whom these notes were issued. Thus it happens that he is empowered to charter national banks, is provided with a force of bank examiners through whom he is kept apprised of the condition of the institutions under his care, is empowered to close up and liquidate mismanaged or insolvent banks and to punish and prosecute their officers and any others who may have violated the banking laws.

Since 1863 the duties and responsibilities of the Comptroller of the Currency have been vastly increased, and he has become almost an adjutant to the Secretary of the Treasury, with whom he is of necessity in constant touch. Under the Federal reserve act he is ex officio a member of the Federal Reserve Board, and Mr. Williams is, in addition, director of the Division of Finance and Purchases of the United States Railroad Administration, a member of the Capital Issues Commission, which determines what securities may or may not be issued during the war, treasurer of the American National Red Cross, and, under appointment of the President, a member of its central committee. As director of the Division of Finance and Purchases of the United States Railroad Administration, Mr. Williams has supervision of the purchase, yearly, of some \$2,000,000,000 worth of supplies and equipment for 300,000 miles of railway and has general direction of the financing of the component systems to enable them to meet these vast requirements and also provide for the hundreds of millions of dollars of bonds maturing every year.

As a sidelight upon his character and methods, I may mention that when this list of his various offices was supplied to me by one of his subordinates I remarked, "I suppose he is simply honorary treasurer of the Red Cross," and was answered, "Mr. Williams couldn't be 'honorary' anything. He knows all about the Red Cross, where the money is kept, and how it is spent." The impression that the man makes upon his associates may be inferred from a statement made to me by one of his colleagues in the Railroad Administration, who said, "I am really astonished by the unyielding thoroughness that Williams shows. He is ruthless in demanding the facts and gets things done with amazing speed."

These comments are interpolated by way of explaining how one man can "hold down" so many different jobs successfully. They are all interrelated in that they all have to do with the custody and expenditure of the Nation's money, but each of them involves a study of and acquaintance with problems and activities that are widely divergent.

In so far, however, as these problems are those of finance and transportation, Mr. Williams is peculiarly well qualified to deal with them by his experience before he became comptroller. He is a Virginian of distinguished ancestry. His father, John L. Williams, who had been in the Confederate Army and financial agent of the Confederate government, was a prominent banker in Richmond, Va., and made his son a partner in the firm of John L. Williams & Son in 1886, as soon as the younger man had reached his majority. It was not long before his genius for financial organization commenced to assert itself. He has been an active factor, as either director or president, in banks and trust companies in Baltimore and New York as well as in the South since he was 25 years of age, and in 1901 was elected president or chairman of the trust company section of the American Bankers' Association and a member of the executive council of the association. He found time to direct his energies toward the development of railway interests in the South, and by the time he was 29 years of age he had put together a railway 300 miles long in Georgia and Alabama, of which he was chosen president. With this as a nucleus, he built up the Seaboard Air Line System by consolidation, purchase, and construction until by 1900 he had 3,000 miles of railway traversing the Atlantic coast from Virginia to Florida under his direction, and at the age of 35 he was president of one of the most important trunk lines in the country.

It was the rapid growth of this system and its competition for the traffic that the older through lines had previously monopolized that brought its young president into conflict with certain financial powers in New York who seemed to feel that their preserves were being invaded. As railway competition in the United States is now at an end and bankers no longer have a proprietary interest in the transportation facilities upon which the business of the Nation depends, it is unnecessary to rewrite the history of an episode that was characteristic of the period when capitalists fought for the control of railways and the right to exploit them as their private property. Mr. Williams made a good

fight, in which he won the respect of his antagonists; and while the control of the Seaboard system was wrested away from him by strategic methods that would be condemned to-day, it is a mistake to assume that he cherishes any resentment toward those who were responsible for his discomfiture.

He is too busy, even if he were not too big, to be looking backward, and his passion to-day is to make the financial and transportation agencies of the country so efficient that they will be equal to any demands that may be made on them during the war and in the subsequent era of prosperity that he foresees. He is one of the group to whose vision of the future, its opportunities and its requirements, we are largely indebted for the Federal reserve act, the farm loan bill, the measure providing for Federal administration of the railroads, the law creating the War Finance Corporation, and much other legislation designed to safeguard, develop, and give increased flexibility to the credit and transportation machinery of the country.

It is to be doubted whether the public realizes or will ever realize the obligation that the Nation is under to this group of men, specially notable among whom, besides the President, under whose inspiration and stimulus they worked, are Secretary McAdoo, Senator Owens, and Representative Glass.

Their success in securing the adoption of the most constructive and progressive plan of fiscal reform and reorganization ever devised in this or any other country enabled us to avert National bankruptcy during the early stages of the war, and is now making it possible for us to carry so lightly the enormous financial burdens that we have assumed.

From his earliest youth Mr. Williams has been a constructive optimist. When he was but 26 years of age he delivered an address in Nashville upon the "Credit of the South" that presaged the future of that section with extraordinary accuracy, and ever since the synthetic quality of his vision has been evident in deed as well as in word. A man of education and a student of law at the University of Virginia, he has a gift of eloquent and picturesque expression and the capacity for inspiring leadership. Naturally, he has enemies. They are always the proof and the penalty of aggressiveness; but he has also innumerable friends, and one of them said to me that his chief fault, if it be a fault, is his loyalty to his friends. This instinct of loyalty to the obligations of friendship is, after all, but a form of the honesty that demands fidelity in every relation of life.

His rigorous enforcement of the banking laws since he became comptroller is another product of the same honesty of character. He plays no favorites, and some transgressors who, prior to his incumbency, had come to believe that they were above the law have accused him of personal vindictiveness because he has compelled them to abandon practices that have been adjudged illegal. This was the case in a controversy that he had with a prominent bank in Washington, whose management now admits that the present prosperity of the institution is in no small degree due to the rigor and promptitude of the comptroller's action.

He has upon more than one occasion reprimanded the banks that charged usurious rates of interest. He recently refused to grant a charter to a bank whose incorporators, being men of wealth, had failed to subscribe their reasonable share to the Liberty bond issues, and only the other day he gave financial New York a severe jolt by borrowing \$6,000,000 for the New York Central Railroad at 6 per cent when the most powerful banking concern in the world had told him that it had found it impossible to get the money for less than 7 per cent.

He maintains that there can be no profiteering in the matter of interest rates as well as in the price of commodities, and he is an iconoclast with regard to many traditions and methods that formerly had the sanction of high finance.

It is not surprising, therefore, that he has had and still has a good many fights on his hands, but it is this very pugnacity in behalf of what he believes to be right that is making him a popular character and a notable man.

In joining with the Secretary of the Treasury in advocacy of a provision in the Federal reserve law that makes the Secretaries and Assistant Secretaries of the Treasury, the Comptroller of the Currency, and the governors of the Federal reserve boards ineligible for election as officers or directors of any national bank for two years after they have held any of the offices named, he has eliminated the personal equation of their future banking affiliations from the calculations of these various functionaries, and he is absolutely unafraid of the power by which some of his predecessors have been overawed.

As under the law he can not receive in the aggregate more than \$12,000 per annum from the Government for all the duties he performs and all the offices he holds, it is impossible to imagine that the monetary reward of his position can have any appeal for him. He is a fiend for work and detail, and it is not at all unusual for him to be found in his office at midnight. As a hard worker for the Government he is not, however, peculiar at present. There are hundreds of other men in Washington who draw no pay and are just as industrious as he.

Mr. Williams is conspicuous among them, not for his devotion to the country but by virtue of the dynamic idealism in which that devotion expresses itself. As his associate already quoted said, "He gets things done with amazing speed," and although in getting them done he sometimes jostles the conservatives, he never seems to forget the interest of the people or the law that he has sworn to obey and enforce. His insistence upon the observance of the law by the banks has been, in fact, responsible for most of the trouble and criticism that he has encountered as comptroller. The results, however, appear to justify the policy Mr. Williams has pursued.

He was appointed comptroller in February, 1914. During the 33 years prior to his appointment the annual loss to national bank depositors by failure had averaged twenty-eight one-thousandths of 1 per cent of the total national bank deposits. In the three years ending October 31, 1917, this ratio had been reduced to three one-thousandths of 1 per cent, or almost nothing; and in about the same period, which is almost coincident with that of the war and the financial unsettlement incident to it, the resources of the national banks under his supervision have increased from \$11,492,453,000 to \$18,553,197,000, or by over 61 per cent.

Such a record takes the point off criticism and makes the man at whom it is directed the despair of his enemies. And this phrase exactly describes John Skelton Williams. He is the despair of the enemies who fear his force and rectitude, the delight of the friends who rejoice in his sympathetic and unswerving loyalty; a big, strong, human character who hits hard, but never unfairly, and is daily becoming more widely known to his countrymen as a man whom they can trust.

I shall also ask that there be printed in the record the attached copy of a letter which, under date of July 23, 1919, was, I am informed, sent by Mr. I. H. Nakdimen, president of the City National Bank, of Fort Smith, Ark., to every Member of Congress. As Mr. Nakdimen explains in his letter, it was prepared and distributed entirely without my knowledge—in fact, I knew nothing of it until about a week or two after it had been sent out. I never had the pleasure of meeting Mr. Nakdimen save on one brief occasion when he was in Washington several years ago:

CITY NATIONAL BANK,
Fort Smith, Ark., July 23, 1919.

PLEASE READ THIS LETTER.

MY DEAR SIR: Every public officer who is trying to do his duty should read this letter and say to himself, "Are we going to allow a public officer who tries to do his duty without fear or favor to be abused?"

I notice through the press where Hon. John Skelton Williams, the present comptroller, is abused, criticized, for what—for doing his duty without fear or favor.

You may say to yourself, What object have I got in this matter? Why am I taking up this fight? Why am I wasting time and money and writing letters to all the Senators and Congressmen? That will be the first thing that comes in your mind.

In answer to same I wish to state I have no personal interest in John Skelton Williams except for the good of the national banks and the people. I am able to spend a few minutes of my time and a few postage stamps, and I feel it is my duty to write to every Senator and Congressman and give them the information that I possess and have obtained during the 16 years' time that I have been in the banking business.

I have had as many as 15 banks. I have had national banks and State banks. I have been under the supervision of bank examiners, commissioners, and comptrollers.

I was under the supervision of comptrollers prior to John Skelton Williams. I have been under his supervision ever since he has been comptroller. I have been called down by both. I have done a lot of things that I should not have done, but in my case it was absolute innocence and when the comptroller wrote a letter and called my attention to it I was willing and glad to obey his command. Why—because it was for the good of the bank.

We have two classes of bankers. One violates the law knowingly and willingly and the other banker violates the law innocently, but John Skelton Williams makes them both do the same—comply with the law.

There was a time prior to Mr. Williams being comptroller when a banker violated the law the comptroller wrote him a letter and called his attention to it. Sometimes the banker answered the letter and sometimes he didn't. If he did answer, his answer was "I will attend to it," and that was the last of it; but since John Skelton Williams became comptroller, if he writes a letter to a banker calling his attention to the violation of the law, and if the banker doesn't answer within a reasonable time, he gets another letter and calls his attention again. If the letter isn't answered, Mr. Williams wires him and if the wire doesn't do any good, he sends a man down.

And if the man doesn't do any good, he puts the bank on a special list. That means frequent examinations and what is the consequence? The banker begins to get sore and begins to curse and abuse John Skelton Williams; especially the banker who has had his own way for years under the old system.

When Mr. Williams sends down a special examiner the banker begins to growl and grunt. Why? Because Mr. Williams wants him to run a clean bank.

My dear sir, there is more buck of the fight that is made on John Skelton Williams than I can ever write. The good banker who is willing to run his bank honestly and obey the law is not against John Skelton Williams. The banker who is against John Skelton Williams is the man who has been continually violating the national banking law, and he does not like to be corrected.

The banker who is against the present comptroller is the banker who has been violating section 52—excessive loans, allowing overdrafts, using the bank's money for his own benefit, loaning money to his friends and relations to go in business and sharing the profits, and a thousand more violations.

The Riggs National Bank of your city has been fighting the comptroller ever since the comptroller has caused the Riggs National Bank to take its desk out of the comptroller's office. The Riggs National Bank has no more right to have a desk in the comptroller's office than I have or any other banker.

The object and purpose of having the desk in the comptroller's office was to obtain information for the benefit of said bank, and ever since the comptroller caused them to take the desk out the fight began and it has been continued.

No doubt you could get access to the records published by the comptroller in regard to the Riggs National Bank and see how they have been violating the law continually, and because Mr. Comptroller insisted upon the Riggs National Bank to comply with the law then the fight began and it has been a continuous fight.

Now you, as a public officer, are you willing to allow a public officer to be abused and criticized because he is doing his duty? I believe it is every public officer's duty to dig into this fight to the bottom and especially in this case, because I am safe in saying you will find this is a manufactured fight for a selfish purpose.

Ever since the present comptroller began to inject purity into the National banking system, and ever since he began to pump the impurity out of the National banking system, the bankers through some of the bankers' magazines have been fighting him and criticizing him.

I defy any of those bankers who are fighting him secretly and under cover to come before the United States Senate or the committee and tell what he has done to discredit the National banks.

John Skelton Williams is responsible for the condition the National banks are in to-day. He has purified them. He has pumped all the impurity out of them by his strict restrictions. He was forced to put the iron hand on them and make them obey the law because they were too loose in their method of banking. They were spoiled. They were doing as they pleased and when he became comptroller, no doubt he saw it. He tried to do it in as nice a way as he could but they would not let him and in order to accomplish, and in order

to make the banks comply with the National banking law, he was forced and compelled to use the iron hand.

He is responsible for the usurers' interest ceasing. If you take the bankers' own reports, you will find where lots of bankers who report honestly, have reported that they have charged as high as 60 and 70 per cent and the dishonest banker makes a false report by reporting from 6 to 10 per cent.

Take the report that was made to the comptroller prior to John Skelton Williams and take the report that is now made during Mr. Williams's administration. Compare the two reports. Lay them on your desk and look at them. Study the two and see if there is anything wrong—if there is anything a banker could object to.

I will admit there is more work attached to it; but suppose there is an hour's more work. Why should a banker refuse to give all the details about his bank if he is a good, honest, conscientious banker?

You remember as well as I do the fight the bankers made on the Federal reserve banks. You know the fight they made on the postal savings. You know the fight they have made on every bill that has ever passed in connection with a bank.

Some of the bankers even went as far and said if the Federal reserve bank act was passed that they would get out of the national banking system. They would denationalize—a great big bluff as usual.

Suppose we didn't have the Federal reserve bank. Where would this country have been during the war? The people of this country do not realize and do not appreciate what a great salvation, what a great saving, and what absolutely saved the country and that is the Federal reserve bank.

Every man ought to have the name of the Federal reserve bank upon his door.

Only a few months ago the Union Service Co., of your city, at 816 Fifteenth street NW., issued a letter and mailed it to every banker in the United States, criticizing and abusing the present comptroller. Why—what have they got to do with it? Why are they spending money for stationery, printing, and postage? Are they a good Samaritan?

Don't you know that some banker is back of it? Some of the bankers who haven't got the nerve and who haven't got the manhood to come out under their own signature, get a tool like the Union Service or some other publication.

I believe the Senate ought to demand of each banker who is opposed to the present comptroller to appear before the committee and give his reason in person and not abus a public officer who is trying to do his duty without fear or favor and be abused by a paid publication.

I herewith inclose copy of letter that I have written to the Union Service Co. Also inclosed find copy of letter that I have written to Mr. Cousins, editor of the American Banker, of New York, who has taken a delight to "slip it in" occasionally to Mr. Comptroller through the influence of some irresponsible and unreliable bankers who no doubt have been continually violating the law and desire to continue to violate the law and because they can not continue to run their banks to suit themselves.

Some of the national bankers were not satisfied with getting paid publications to criticize and abuse Mr. Williams, but they secured a State banker, Mr. Sabin, of New York, and he became indignant about the comptroller and made a public speech criticizing him. Mr. Sabin is president of a large bank, and I believe he has all he can do to take care of his own institution without butting-in on the national system.

It is amusing to read the wicked, the unjustifiable, and the most ridiculous fight that is made by Mr. McFadden, Representative of Pennsylvania, and also president of a national bank, because the comptroller causes him to run his bank in compliance with the national banking law.

I notice in some paper where Mr. McFadden's bank was criticized by the comptroller prior to Mr. Williams's administration and has been criticized ever since Mr. Williams has been in office. Now why don't Mr. McFadden comply with the national banking law like all the other bankers and cease growling? There isn't but one way to run a bank and that is comply with the law, and that is all the present comptroller demands from the banks.

The comptroller has made a remarkable record during the time of his administration. The last record shows that in 18 months there weren't but two little bank failures out of 8,000. A public officer who makes a record of this kind ought to be commended and ought to be noticed, and he ought to be protected and defended by his fellow public officers.

In order for the United States Senate to be satisfied that the criticism made by the bankers against the comptroller is just or fair, subpoena these bankers before the Senate committee personally and let them give their reasons and let them make their objections. I doubt if you can find a half dozen out of 8,000 bankers.

In my opinion, I believe it is the duty of every Senator to see that these unjust charges against a public officer cease, and these bankers should be punished for airing out false charges for the purpose of discredit when they know there are no grounds for the false charges.

I wish to state that this letter is written without the knowledge or consent of John Skelton Williams, either directly or indirectly.

Yours, very truly,

I. H. NAKDIMEN

CITY NATIONAL BANK,
Fort Smith, Ark., February 19, 1919.

MR. WILFRED S. COUSINS,

Editor American Banker, 67 Pearl Street, New York, N. Y.

MY DEAR MR. COUSINS: No doubt when you get this letter you will say to yourself, "There's the same old crank coming back at me." But after you read it I want you to take another thought and say to yourself, "No; he is not a crank."

I want you to read the copy of the letter that I herewith inclose that I have written to Congressman Wingo, and also copy of the letter I have written to the Union Service Co. at Washington, then I want you to read a copy of the editorial appearing in your magazine of February 3, on page 216, from the Philadelphia Press, and also in your magazine of February 10, copied from the Financier.

Both articles are absolutely unjustifiable and untrue, and it was written and published for a purpose. Not for a purpose for the good of the banks or the country. It was done for no other purpose except to discredit Hon. John Skelton Williams and discredit the good national banks of America and to injure the banking system of this country.

I believe that I have written you before and expressed the good that Hon. John Skelton Williams has done ever since he has been in office for the good banks. In my opinion he is a genius. He has done more for the banking fraternity than all the comptrollers have done for 30 years prior to his taking charge.

He has purified the banking system. He has eliminated the bank grafter. He has caused the stockholders of the national banks to get what is coming to them. He is the cause of the banks loaning money at a legal rate of interest. He is the cause of the national bankers being in such good shape that there was not a failure in eight months.

He is a credit to the National Government and to the national banking system. He has shown no preference. He has treated the little banker and the big banker alike. He makes the big banker comply with the law the same as he does the little banker. He has no pets, no favors, and no desks in his office from some of the big bankers in New York, where they could obtain special information or privileges.

He may make some mistakes, but it will be no more than any human will do.

I want to impress upon your mind one thing, and I am saying this without any hesitation, that Hon. John Skelton Williams has done more good for the banks and for the people than any comptroller we have ever had, and I, as a banker, knowing what he has done, feel that it is a disgrace to any newspaper or any magazine to publish an article against him without investigating the facts of it.

It will be a calamity to the country if the comptroller's office were to be abolished and leave it to the Federal reserve bank to look after. The Federal reserve bank should be under the supervision of the comptroller the same as any other bank, because they are doing the same kind of business that the bank does.

Abolishing the comptroller's office and putting the Federal reserve bank in charge will be the same as you selecting one bank in a town to supervise over his competitive banks.

It is an absolute joke for anyone to criticize and try to abolish the comptroller's office. Who ever attempts to write an article or speak on the subject, they ought to take a lesson in banking and find out. Then they will become convinced that it is a joke to discuss abolishing the comptroller's office.

Yours, truly,

I. H. NAKDIMEN, *President.*

CITY NATIONAL BANK,

Fort Smith, Ark., February 19, 1919.

UNION SERVICE CO.,

816 Fifteenth Street NW., Washington, D. C.

GENTLEMEN: Your circular letter, no doubt sent to every bank in the United States, dated February 15, received.

Why do you take such an interest in the opposition of Hon. John Skelton Williams? Why do you take such an interest in trying to abolish the comptroller's office? What do you know about what the office is doing for the banks?

Why are you spending so much money? Who is paying you for it, or are you doing it for the good and benefit of the banks, or are you doing it because you are paid for it?

Do you know that you are making statements in your letter that are absolutely untrue, absolutely without any foundation whatever? Don't you know that everybody who reads your letter knows that you have a motive in it and you are not doing it for the good cause and everybody knows what that motive is?

Otherwise why should you issue these letters, pay for the paper, pay for the printing, pay for the envelopes, and pay for the stamps? Don't you know that we know it costs money to do this?

Why are you doing it? For a good cause? You are an awful good Samaritan, aren't you? Have you ever done anything before in behalf of the banks? If you have, what is it?

Being a banker for 18 years, having both State and national banks, I believe I am in a better position to know and to pass an opinion on the advantages and disadvantages of the comptroller's office, and I want to tell you for your own benefit that the comptroller's office and Hon. John Skelton Williams have done more to purify the national banking system under his management than there has been done in 30 years prior to his taking charge.

He is one man that the little banker admires and the big banker who is willing to be honest admires, because John Skelton Williams does not show any preference. Big or little, he treats them all alike. He makes them all comply with the law.

There are no favors or pets or no desks of the big bankers in his office to receive any special privileges like there has been in the past.

Tell your president, Mr. George H. Gall, that you are on the wrong track and you better get off and get off quick. You are on the wrong side and you better get on the right. I believe you could get right if you want to be fair to the bankers.

You go and see the comptroller and talk to him and get his side of the story and then compare it with the bunch who are supposed to be putting up the money for you to get out this letter and see who is right and who is wrong.

You tell them they can not get away with that kind of dope. They can not get away with playing the game unfair.

For your own good and for your own reputation you better get the real sentiment of the real bankers who are inclined to be fair and who are inclined to run a bank honestly. That banker is not in opposition to the comptroller's office or Hon. John Skelton Williams. The only banker who is against Hon. John Skelton Williams is the selfish one and the one who has been putting more in his own pocket than he is giving to the stockholders.

Yours, truly,

I. H. NAKDIMEN, *President.*

I also ask that there be inserted in the record the attached copy of a letter which I addressed to Chairman Platt of the Banking and Currency Committee of the House of Representatives on June 17, 1919, which is self-explanatory.

TREASURY DEPARTMENT,
Washington, June 17, 1919.

HON. EDMUND PLATT,

Chairman Banking and Currency Committee,

House of Representatives, Washington, D. C.

MY DEAR SIR: I have your letter of the 12th instant, advising me that you have received recently "a number of copies of the joint resolution from the Legislature of California with regard to banks in Riverside and Santa Rosa, in that State, where, according to the resolution, 'these failures have been

brought about by the inadequate examination of the national banks under the existing law," etc.

Your comment that this "must have been an exaggeration, for failures certainly can not be said to have been brought about in any case by inadequate examination, as all examinations can do is to serve warning, and when conditions are not too bad to prevent failures already impending" is, of course, absolutely correct.

The joint resolution of the Legislature of California to which you refer is an extraordinary document and seems either to have been passed carelessly as the result of a strange ignorance of facts and to have been based upon supposed conditions which do not exist, or else the legislature was deceived and misled by some enemy of the administration or of this office.

The Senate joint resolution bears date of March 20, 1919, and I quote it as follows:

"SENATE JOINT RESOLUTION NO. 11, BY SENATORS SLATER AND EVANS, RELATIVE TO MORE STRICT EXAMINATION OF NATIONAL BANKS BY THE FEDERAL GOVERNMENT.

"Whereas failures among national banks of the United States have been the cause of great suffering among innocent depositors and stockholders and in some cases have been brought about by the inadequate examination of national banks under the existing laws of the United States, as recently illustrated in the cities of Riverside and Santa Rosa, in the State of California; and

"Whereas it is apparent that more careful examination of national banks is required: Now, therefore, be it

"Resolved by the senate and assembly, jointly, That the Legislature of the State of California hereby memorializes Congress to provide for proper legislation for the more strict examination of national banks within the United States; and be it further

"Resolved, That our Senators and Representatives in Congress be, and they hereby are, requested to take such steps as may be necessary to institute such legislation; and be it further

"Resolved, That the secretary of the senate be, and he hereby is, directed to forward copies of these resolutions to the honorable Secretary of the Treasury, the President of the Senate of the United States, the Speaker of the House of Representatives, and each of California's Senators and Representatives in Congress."

The declaration in the resolution that "it is apparent that more careful examination of national banks is required" is not supported by the facts. On the contrary, the records indicate clearly that the examinations of national banks now made under this administration are the most careful, the most thorough, and the most efficient in the history of the national banking system. This is the first complaint, as far as I recall, that this office has received during the five years of my administration as comptroller suggesting that the examinations now being made were either not careful or not sufficiently rigid.

Because of the conspicuously high efficiency of the bank examinations made under supervision of this bureau some of the clearing-house associations about the country have decided to abolish the position of clearing-house examiners formerly maintained. It is also noteworthy that the very first clearing-house association to do away with the clearing-house examiner on this account was the Clearing House Association of San Francisco. Within the past few days a leading banker from another important city in the Central West called at this office and, commending in strong terms the efficiency of national-bank examinations as now conducted, incidentally mentioned that the clearing-house association of his city had also done away with its clearing-house examiner, because of the excellent work now done by national-bank examiners.

The thoroughness of national-bank examinations, and the policy of this office in enforcing the observance of law on the part of national banks are being clearly reflected in the increasing immunity from bank failures as shown by official records. The time of the greatest financial strain to which this country has ever been subjected has probably been the past two years and three months of President Wilson's second administration, which includes the entire period of our war with Germany—19 months, and 8 months of reconstruction and readjustment; and yet the records show that the national-bank failures per year for each 1,000 national banks in operation was sixteen times as great in

NOMINATION OF JOHN SKELTON WILLIAMS.

the 25 years prior to March, 1917, as during the past 27 months of war and reconstruction.

So much for the record of national banks throughout the country generally. Now, as to the State of California. The records show that for more than 10 years past there has been only one national bank failure in California.

And in the past 24 years there have only been three national bank failures in California, to wit:

(1) The Orange Growers' National Bank, of Riverside, Calif., which failed in March, 1904, and paid its depositors 100 cents on the dollar on the principal of their deposits;

(2) The Oakland National Bank, which failed in April, 1909, and paid its depositors 100 cents on the dollar on principal, together with interest on deposits except certain cases where interest was waived; and

(3) The Santa Rosa National Bank, of Santa Rosa, Calif., which failed in September last and which is still being liquidated. The cashier of this latter bank has already been sentenced to the penitentiary for deception and embezzlement.

(As to the circumstances under which the national-bank examiner found it necessary to require the closing of the Santa Rosa National Bank—at the time the Santa Rosa Savings Bank, under the same management, was closed—I invite your attention to the inclosed extracts from the report of the national-bank examiners relative to the methods by which the officers of the bank managed to hide their crookedness and conceal the true condition of the bank from examiners, both State and national.)

The Santa Rosa National Bank, which failed in California in September, 1918, was the only national bank in the entire United States to fail in the year 1918.

It is clear that despite the resolutions passed by the California Legislature declaring that the failures among national banks "have been the cause of great suffering among innocent depositors and stockholders," the records show that the three national banks which have failed in California in the past 24 years, two of them paid their depositors in full and the third, and last one, which failed in September last, is still in process of liquidation.

Now let us look at the showing of the banks under State supervision, as to which these resolutions are silent. As compared with the failure of only one national bank in California for more than 10 years past, or two in more than 15 years (one of which paid depositors in full), I direct your attention to the official figures which show in California since January 1, 1908, 10 failures of banking institutions other than national, including a savings bank, which failed in Santa Rosa at the time that the only national bank which has failed in California in over 10 years closed its doors.

The records further show that since the inauguration of the national banking system in 1863 there have been at least four times as many failures of banks other than national as there have been of national banks in California.

About 40 per cent of the banking institutions in California at this time are national banks, the remainder State banks, trust companies, and private banks.)

It is not my purpose in making these comparisons to be understood as criticizing the methods of work of that department is entitled to high commendation.

As a matter of fact the proportion of failures of State banks in California has been compared with the failures of national banks, California's record in comparison with various other States is exceedingly favorable and reflects credit upon the supervising authorities. Furthermore, it is a pleasure to bear testimony to the cooperation and cordial relations existing between the State Department of California and the bureau of the Comptroller of the Currency.

It was on the very day I received your letter of 12th instant, that I was informed by a representative of the West, a Republican, called at this office and had been critical of my work.

He was very strongly and unfavorably impressed by the results which I had obtained upon the liquidation of the Santa Rosa National Bank.

He expressed his confidence in the safety of the national banks, and the importance of the work of the Comptroller of the Currency.

He also mentioned that he was now engaged in a West in which he was largely interested.

He thought it only just to mention that he was very much interested in the work of the Comptroller of the Currency.

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his unqualified approval and commendation of the administration of the comptroller's office.

In conclusion, I think it may interest you to know, in connection with the growth and development of the national banking system, that from November 1, 1914, to June 1, 1919, this office has received 2,011 applications for new national-bank charters (including 293 State banks nationalizing), for extensions of charters and for permission to increase the capital of existing banks, while the total number of voluntary liquidations (exclusive of consolidations with other national banks) and applications for reduction of capital, have aggregated only 373 for the same period.

Faithfully, yours,

JOHN SKELTON WILLIAMS, *Comptroller*.

EXTRACT FROM THE REPORTS OF NATIONAL-BANK EXAMINERS TO THE COMPTROLLER OF THE CURRENCY RELATIVE TO THE FAILURE IN SEPTEMBER, 1918, OF THE SANTA ROSA NATIONAL BANK, SANTA ROSA, CALIF.

The successful concealment during a long period of the true condition of this bank can be directly ascribed to the fact that most of the officers and employees had knowledge, more or less complete, of the irregularities, and in their respective spheres aided in the concealment. They were participants in a systematic and effective conspiracy of remarkable completeness. * * *

This bank was strictly a "family" bank, with the complement of "dummy" directors, which usually are a part of the equipment of such banks. There appears never to have been, at least not within recent years, a director of independent strength on the board. * * * The cashier, Frank A. Brush, and other members of the Brush family, not only owned most of the stock, but constituted a majority of the directors and absolutely dominated the management under the immediate direction of the cashier. * * *

The method of covering the various defalcations is set forth in great detail by the examiner in his report. The concealment was had by removing sheets from the commercial individual ledgers and cards from the savings and individual ledgers the aggregate balances of which equaled the amount of the difference which it was desired to conceal. Between examinations all individual ledger sheets were kept in their proper places in the ledgers. When it was learned that an examiner had arrived the individual ledger sheets of the desired aggregate were hurriedly removed and locked in a safe-deposit box, where they remained during the examination. Trial balances run by the examiners, therefore, would agree with the general ledger controlling accounts.

To take care of checks deposited while the ledger sheets were out, four fictitious accounts were opened in which were deposited the aggregate of the checks received for credit in the missing accounts.

Summarizing the situation with reference to the failure of the Santa Rosa National Bank, it can be said that the failure was caused by the systematic and cleverly concealed series of defalcations over a period of years, which even an audit of the bank would probably have failed to disclose if the officers and clerks in the bank had had the opportunity in advance of removing the individual ledger sheets, as the total balances shown by the individual ledgers agree with the total shown by the general ledger, which is the controlling account of the bank. Unless, therefore, each individual account were audited and the deposit slips and checks carefully checked, there would be nothing to disclose a shortage in the deposit account. Even the matter of calling in the pass books of the various depositors would have failed to disclose the shortage, as the auditor would necessarily have called for only such pass books of individuals as were shown by the individual ledgers to have had accounts with the bank.

With reference to the forgeries where these forgeries were placed with correspondent bank, as was the practice in this bank, and where these notes were paid at maturity out of the bank's funds, there is no method by which the examiner could detect such forgeries.

In connection with this failure it should be borne in mind that the Union Savings Bank, a State institution subject to State examination, occupied the same office and had the same officers as the Santa Rosa National Bank. This institution was closed by the State authorities the same time that the national bank was closed. The method of concealment was identical in both cases according to Examiner Thompson's report.

the 25 years prior to March, 1917, as during the past 27 months of war and reconstruction.

So much for the record of national banks throughout the country generally.

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(3) The Santa Rosa National Bank, of Santa Rosa, Calif., which failed in September last and which is still being liquidated. The cashier of this latter bank has already been sentenced to the penitentiary for deception and embezzlement.

(As to the circumstances under which the national-bank examiner found it necessary to require the closing of the Santa Rosa National Bank—at the time the Santa Rosa Savings Bank, under the same management, was closed—I invite your attention to the inclosed extracts from the report of the national-bank examiners relative to the methods by which the officers of the bank managed to hide their crookedness and conceal the true condition of the bank from examiners, both State and national.)

The Santa Rosa National Bank, which failed in California in September, 1918, was the only national bank in the entire United States to fail in the year 1918.

It is clear that despite the resolutions passed by the California Legislature declaring that the failures among national banks "have been the cause of great suffering among innocent depositors and stockholders," the records show that the three national banks which have failed in California in the past 24 years, two of them paid their depositors in full and the third, and last one, which failed in September last, is still in process of liquidation.

Now let us look at the showing of the banks under State supervision, as to which these resolutions are silent. As compared with the failure of only one national bank in California for more than 10 years past, or two in more than 15 years (one of which paid depositors in full), I direct your attention to the official figures which show in California since January 1, 1908, 10 failures of banking institutions other than national, including a savings bank, which failed in Santa Rosa at the time that the only national bank which has failed in California in over 10 years closed its doors.

The records further show that since the inauguration of the national banking system in 1863 there have been at least four times as many failures of banks other than national as there have been of national banks in California.

(About 40 per cent of the banking institutions in California at this time are national banks, the remainder State banks, trust companies, and private banks.)

It is not my purpose in making these comparisons to be understood as criticizing the methods of work of the banking department of California. As a matter of fact the work of that department is entitled to high commendation, for, although the proportion of failures of State banks in California has been high as compared with the failures of national banks, California's record compared with various other States is exceedingly favorable and reflects credit upon the supervising authorities. Furthermore, it is a pleasure to bear testimony to the cooperation and cordial relations existing between the State banking authorities of California and the bureau of the Comptroller of the Currency.

May I venture to add that the very day I received your letter of 12th instant, a former Member of Congress from the West, a Republican, called at this office to say that he had originally been opposed to me and had been critical of my methods and policies, but that he now desired to express strongly and unequivocally his commendation of the work of this office and of the results which are being obtained under its present administration. He commended upon the greatly reduced mortality among national banks, and the increased safety of depositors, and also upon the improved status which national banks now have from the standpoint of collateral or as investment, and mentioned that the stock of one national bank in the West in which he was largely interested had doubled in value in the past few years. He generously declared that although he did not agree with me politically, he thought it only just to avow

his unqualified approval and commendation of the administration of the comptroller's office.

In conclusion, I think it may interest you to know, in connection with the growth and development of the national banking system, that from November 1, 1914, to June 1, 1919, this office has received 2,011 applications for new national-bank charters (including 293 State banks nationalizing), for extensions of charters and for permission to increase the capital of existing banks, while the total number of voluntary liquidations (exclusive of consolidations with other national banks) and applications for reduction of capital, have aggregated only 373 for the same period.

Faithfully, yours,

JOHN SKELTON WILLIAMS, *Comptroller*.

EXTRACT FROM THE REPORTS OF NATIONAL-BANK EXAMINERS TO THE COMPTROLLER OF THE CURRENCY RELATIVE TO THE FAILURE IN SEPTEMBER, 1918, OF THE SANTA ROSA NATIONAL BANK, SANTA ROSA, CALIF.

The successful concealment during a long period of the true condition of this bank can be directly ascribed to the fact that most of the officers and employees had knowledge, more or less complete, of the irregularities, and in their respective spheres aided in the concealment. They were participants in a systematic and effective conspiracy of remarkable completeness. * * *

This bank was strictly a "family" bank, with the complement of "dummy" directors, which usually are a part of the equipment of such banks. There appears never to have been, at least not within recent years, a director of independent strength on the board. * * * The cashier, Frank A. Brush, and other members of the Brush family, not only owned most of the stock, but constituted a majority of the directors and absolutely dominated the management under the immediate direction of the cashier. * * *

The method of covering the various defalcations is set forth in great detail by the examiner in his report. The concealment was had by removing sheets from the commercial individual ledgers and cards from the savings and individual ledgers the aggregate balances of which equaled the amount of the difference which it was desired to conceal. Between examinations all individual ledger sheets were kept in their proper places in the ledgers. When it was learned that an examiner had arrived the individual ledger sheets of the desired aggregate were hurriedly removed and locked in a safe-deposit box, where they remained during the examination. Trial balances run by the examiners, therefore, would agree with the general ledger controlling accounts.

To take care of checks deposited while the ledger sheets were out, four fictitious accounts were opened in which were deposited the aggregate of the checks received for credit in the missing accounts.

Summarizing the situation with reference to the failure of the Santa Rosa National Bank, it can be said that the failure was caused by the systematic and cleverly concealed series of defalcations over a period of years, which even an audit of the bank would probably have failed to disclose if the officers and clerks in the bank had had the opportunity in advance of removing the individual ledger sheets, as the total balances shown by the individual ledgers agree with the total shown by the general ledger, which is the controlling account of the bank. Unless, therefore, each individual account were audited and the deposit slips and checks carefully checked, there would be nothing to disclose a shortage in the deposit account. Even the matter of calling in the pass books of the various depositors would have failed to disclose the shortage, as the auditor would necessarily have called for only such pass books of individuals as were shown by the individual ledgers to have had accounts with the bank.

With reference to the forgeries where these forgeries were placed with correspondent bank, as was the practice in this bank, and where these notes were paid at maturity out of the bank's funds, there is no method by which the examiner could detect such forgeries.

In connection with this failure it should be borne in mind that the Union Savings Bank, a State institution subject to State examination, occupied the same office and had the same officers as the Santa Rosa National Bank. This institution was closed by the State authorities the same time that the national bank was closed. The method of concealment was identical in both cases according to Examiner Thompson's report.

As can be seen from the above, it was almost impossible for either the State or National examiner to discover the defalcations unless there should have been a break in the ranks of the conspirators.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY.
Washington, June 12, 1919.

The COMPTROLLER OF THE CURRENCY,
Treasury Department, Washington, D. C.

MY DEAR MR. WILLIAMS: I have yours of the 10th inclosing circular of June 9 with regard to the gratifying increase in the number of applications for new national-bank charters, etc. This certainly shows the general soundness and prosperity of banking, and I am frankly of the opinion that the efforts of yourself as comptroller, to hold the banks of the country more strictly to observance of the law, has had a salutary effect in keeping down the number of failures.

In view of the very small number of failures that have taken place within the past few years, I have been surprised to receive recently a number of copies of the joint resolution from the legislature of California with regard to banks in Riverside and Santa Rosa in that State, where, according to the resolution, these failures "have been brought about by the inadequate examination of the national banks under the existing law," etc.

Of course that must be an exaggeration, for failures certainly can not be said to have been brought about in any case by inadequate examination, as all examinations can do is to serve warning and when conditions are not too bad to prevent failures already impending.

I do not remember to have seen anything beyond a short newspaper item with regard to these California banks, and am entirely in the dark as to the reasons for the joint resolution referred to.

Very truly, yours,

EDMUND PLATT.

I request that the record include the attached copy of a letter which I addressed on June 27, 1919, to Mr. F. W. Hyde, secretary of the national bank section of the American Bankers' Association, and also a copy of Secretary Hyde's reply to my communication, dated July 1, 1919. These letters are self-explanatory.

TREASURY DEPARTMENT,
Washington, June 27, 1919.

F. W. HYDE, Esq.,
*Secretary National Bank Section,
American Bankers' Association, New York, N. Y.*

MY DEAR SIR: I appreciate your courtesy in forwarding to me a copy of certain resolutions which you advise me were passed at a meeting of the Mississippi Bankers' Association at Clarksdale last month in which the association expressed disapproval of the policy of this office in making public from time to time the figures as to national and State bank failures throughout the country.

It appears that the Mississippi resolutions related to a statement given out by this office on May 7, giving statistics in regard to national-bank and State-bank failures, which showed the failure of one national bank in the entire United States in the four months' period ending May 1, 1919, against 24 failures of banking institutions other than national from January 1 to April 1, 1919—an average of approximately two State-bank failures a week; and showing also that while there had been only two national-bank failures in the 15 months ending April 1, 1919, the returns indicated the failure of some 50 or 60 State banks and trust companies in the same period.

Perhaps I can best express the attitude of this office and my reason for the publication of those statistics by quoting the following extract from a letter which I recently addressed to a certain bank official in response to a somewhat similar criticism from him on that subject. I said:

"A Federal statute of many years standing requires the Comptroller of the Currency to report to Congress not only statistics and information of national banks but information regarding the conditions of banking institutions under State supervision so far as it is obtainable. I take the purpose of this to be to

provide Congress, the administration, and the public with a comprehensive view of the entire banking situation in the country. One object in bringing the facts concerning State banks into my occasional or periodical statements is to comply with the spirit and purpose of this law. It seems to me that if the public is to be informed of conditions in one section of the banking business it should know them in all.

"A further beneficent result, it is hoped, may be to spur State bank officials to more careful examinations and supervision. You and I know how strong and how injurious is the tendency to allow local political and social influences to cause laxity in State administration of banking affairs. My earnest ambition is to see both National and State supervision of banks and the consequent bank record of the United States as nearly 100 per cent perfect as human watchfulness and energy can make them.

"I ask you to believe that, so far from wishing to injure the State institutions in business, my desire is to stimulate them and those officially responsible for their conduct to emulation of the fine showing the national banks are making."

Permit me here to suggest there is no reason to believe that the criticisms offered by the "Mississippi Bankers' Association" reflect the attitude of the national banks in Mississippi—the banks under the supervision of this office—but perhaps they may express the not justified resentment of State banks whose supervision may have been less careful and whose immunity from trouble has been so distinctly less than that of the national banks of that State.

The figures show that in Mississippi the State banks largely outnumber the national banks, the latest report showing 288 State banks (large and small) and 33 national banks in operation at this time. The records also show that for more than 25 years past there has been no failure of a national bank in the State of Mississippi, but in the past 15 years there have been 34 failures of State banking institutions. In the past five years 20 State banks in Mississippi have failed. These figures are instructive in enabling us to give proper weight to resolutions passed by the Mississippi Bankers' Association, composed mostly of the State bankers.

I have just been advised that in the past few weeks resolutions critical of this office have also been passed by several "group" meetings of bankers in the State of Kentucky, and that attempts to put through similar resolutions were defeated by quite as many, if not more, of the "group" meetings in that State in the last two months. In determining how far such resolutions reflect the sentiment of banks with which this office has dealings or which are under its supervision, and how far they are inspired by State officials or by the jealousy of institutions making the less favorable showing, it is proper to call attention to the fact that in Kentucky as well as in Mississippi the State banks largely outnumber the national banks, the latest reports showing in that State 132 national banks and 444 banks other than national.

In Kentucky, as in Mississippi, the record of the national banks compared with the State banking institutions in the matter of failures is particularly favorable. In the past 15 years in Kentucky there have been only four failures of national banks—two of these subsequently reopened, one has already paid its depositors 100 per cent and interest in full, and the fourth has not yet been fully liquidated, but has paid its depositors more than 90 per cent of their claims. In these same 15 years, 27 State banking institutions failed and 20 of them failed within the last eight years, during which period only three national banks failed, of which one was reopened, one paid the depositors in full, and the other being still in liquidation. I am not informed as to whether any of the State banks which failed were ever subsequently reopened or what they may have paid their depositors.

This is a tremendously serious subject, especially at this vital crisis of our commercial life, with the entire world depending on the stability of our financial structure as a whole. I would feel that I was guilty of something like treason if in deference to the feelings or interests of anybody or any group of men, however estimable and well entitled to my good will, I handled the case timidly or delicately. The best results can be secured and safety most certainly assured by plain speaking, however rough it may seem or unpalatable it may be. This is no time for soft talk or smooth evasions. Here we have the definite, ugly fact that while national bank failures have reduced steadily and seem almost at the point of disappearance, State bank failures, in some States, have been increasing. In Kentucky there have been 21 State bank failures in the last 10 years against 6 in the preceding 5 years and in Mississippi about 10 per

cent of the State banks have failed in 10 years, 20 of them in the last 5 years against only 15 in the preceding 15 years.

We can not conceal from ourselves the certainty that there is something wrong somewhere, and there is no use trying to hide it. I do not believe the State bankers generally to be inferior in character or capacity to the National bankers, or that the State banks of Kentucky and Mississippi had in the last 10 and 5 years managements less competent than in the preceding 5 to 15 years, respectively, or that the bankers of those States are less honest or able than those of other States with like characters of population and products which make better showings. Therefore, the fault must be with the systems of State supervision and inspection. I see no way to avoid that unpleasant conclusion.

There being something wrong, evidently, and the whereabouts of the fault appearing to be clear, I see no way toward remedy but frank and friendly demonstration of the conditions as they are. The first step toward cure is diagnosis. The doctor who makes false diagnoses or hides the right one to avoid making enemies or ruffling sensibilities is guilty morally of murder. I would rather be the target for severe criticism, even from my friends, and incur many hostilities than to have on my conscience the sins of cowardice and neglect of duty.

I am very anxious to avoid hurting or offending anybody, but far more and desperately anxious to avoid possibility of having our financial machinery break or weaken anywhere in the time of heavy strain, just ahead of us, when we must supply the power for our own vast and fast increasing activities and development, and must do a gigantic part toward carrying all the nations to restoration.

As this exhibit for the national banks in Kentucky is so distinctly favorable, both positively and comparatively, it may throw some light upon the motives for the ill-advised criticism directed against this office by certain Kentucky banking officials and officers of State banks. It seems rather unfortunate that these State officials should be adopting the tactics to which some of them seem to be resorting.

I have just learned that at a recent convention of State supervisors of banking, held at Cleveland, Ohio, resolutions disapproving the administration of this office were adopted. A member of that conference tells me these resolutions were submitted toward the close of the convention by a committee, and were inspired or advocated by commissioners from States in which the proportion of State bank failures to national banks had been in the past conspicuously large, and that, through that committee's influence, the resolutions were perfunctorily passed.

Mr. G. G. Speer, State banking commissioner of Kentucky, seems to have taken an active part in this proceeding and delivered a speech on the subject, apparently authenticated extracts from which fill much of the space of one of the Banking Journals sent me. In view of the figures of State bank failures in Kentucky, whose banks are now under Mr. Speer's directing guidance, his interest in the matter and yearning to be rid of the Comptroller of the Currency may be explicable, though he will naturally disclaim responsibility for results prior to his recent incumbency. However, I have no special interest in the political studies of the supervisors of State banks or their opinions on Government administration, or on my conduct and policies. They do not question the accuracy of the figures, which appear to indicate that the supervision of national banks has been far more efficacious than that exercised in too many of the States.

It is also noted that Bank Superintendent Skinner, of New York joined Commissioner Speer, of Kentucky, in criticizing quite earnestly the publication of the comparative figures of national and State bank failures. His sensitiveness of this subject may be explained by reference to the official figures, which show during the past 20 years only 17 failures of national banks in New York State, as compared with 159 failures of banking institutions other than national in the same period in that State. In the past five years there were 33 failures of banks other than national and only 1 failure of a national bank in New York State, and that one bank was subsequently restored to solvency.

These figures are specially significant when we consider that the number of national banks and of banks other than national in New York are very nearly the same. In fact, in 5 of the past 11 years the national banks in New York equalled or outnumbered the State banks and trust companies. The

record shows that in New York State since 1900 there have been about ten times as many failures of banks other than national as there have been of national banks for each 100 operated banks. In the past 20 years the number of banks other than national in operation has averaged about 10 per cent more than the national banks, while the number of failures of banks other than national has been nearly ten times as great as of national banks.

The number of banks other than national which have failed in New York in the past 20 years, since 1899, 159, is equal to nearly 40 per cent of the 401 such banks in operation in 1899. The number of national banks which failed in the same time, 17, is equal to about 5 per cent of the 327 national banks in operation in 1899. The increase from 1899 to 1918 in the number of national banks in operation was 152, or 46 per cent; of banks other than national, 130, or 32 per cent.

As compared with an annual average mortality rate of 2 per cent among State banking institutions in New York State for the past 20 years, I ask your attention to the deeply gratifying fact that in the whole United States in 1918 the mortality rate among national banks was only one seventy-seventh of 1 per cent, or one hundred and fifty times better than the State bank average for the last 20 years.

It is quite significant that the States whose supervising authorities seem most disposed to criticize this office are those where the proportion of State bank failures has been greatest. The figures show conclusively that the opposition of State supervisors to the comptroller's office can not be based upon inefficiency or omission to achieve with signal success the results aimed at by the comptroller's office, but seems to be rather the result of irritation on their part that a comparison so exceedingly favorable to the national banks should be given to the public.

It is fair to add that Superintendent Skinner is quoted in the banker's publication referred to as frankly admitting to the convention that State banks in some States "have either been without adequate supervision or that such supervision is of a comparatively recent date."

The important point is that in some States the State supervision is splendidly efficient, as proved by results, and that in others it is lamentably inefficient, as proved by results. My purpose is not to quarrel with anybody, not to be disturbed, or even annoyed, by citizens who, for any reason, resent the methods of this office and clamor for my decapitation—it is to do my part toward inciting and encouraging all State governments to put their banks on equality with the soundest and safest in the States best administered and with the national banks. In my view the best way to bring State and national banking systems into harmonious and cordial cooperation is to have all deserve and receive an equal share of the public confidence, and I am unable to see how any other policy can tend to prevent jealousies or friction.

In conclusion allow me to quote further my own views on this subject as contained in a letter which I addressed to a United States Senator a few days ago:

"Neither I nor any part of this department has the slightest purpose to cause injury to the State institutions, and to the contrary, our earnest desire is to do what we can to help establish their usefulness to the public and value to their owners. Those who, by any means or for any purpose, would stir ill-feeling between the national and State banking institutions or arouse prejudice against or distrust of either do wrong to both and to the country.

"My own view is that all our efforts should be directed toward making and keeping them both strong and in cordial cooperation in the performance of the huge financial and business tasks are just ahead of us. The faster and more abundantly the country prospers the heavier these tasks will be. The more nearly we can make bank failures impossible, and therefore unfearful, the smoother and faster our progress toward true prosperity will be. Such failures anywhere and at any time cause more or less jarring in that progress, and our purpose should be to avoid a single jar or check, if it is possible."

Please pardon the length and special earnestness of this. My excuse is that I feel intensely on the subject and am most eager in trying to do my full part to make sure that when the wrench and strain come there shall be no defect or weak spot, and that the business and financial men of the country shall do their part in this huge upheaval as strongly and successfully as our fighting men did theirs. My firm conviction is that the surest way to make the splendid body of State banks solid and ready is to tighten the laws for their supervision and

the administration of the laws wherever the facts and figures show tightening to be needed.

Faithfully, yours,

JOHN SKELTON WILLIAMS.

NATIONAL BANK SECTION,
THE AMERICAN BANKERS' ASSOCIATION,
5 Nassau Street, New York, July 1, 1919.

Hon. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

MY DEAR MR. WILLIAMS: I wish it were possible to convey the high value I place on the confidence and fidelity which you repose in me as evidenced by your personal letters of June 27 and 28, inclosing copy of your letter to Chairman Platt of the House Banking and Currency Committee as of June 17.

All three letters have been read with care, and it seems to me your arguments are unanswerable. May I not particularly applaud paragraphs which embody your spirit in the conduct of your high office, as follows:

"There being something wrong evidently and the whereabouts of the fault appearing to be clear, I see no way toward remedy but frank and friendly demonstrations of the conditions as they are. The first step toward cure is diagnosis. The doctor who makes false diagnoses, or hides the right one, to avoid making enemies or ruffling sensibilities is guilty, morally, of murder. I would rather be the target for severe criticism, even from my friends, and incur many hostilities than to have on my conscience the sins of cowardice and neglect of duty.

"I am very anxious to avoid hurting or offending anybody, but far more, and desperately, anxious to avoid possibility of having our financial machinery break or weaken anywhere in the time of heavy strain, just ahead of us, when we must supply the power for our own vast and fast increasing activities and development, and must do a gigantic part toward carrying all the nations to restoration.

"The important point is that in some States the State supervision is splendidly efficient, as proved by results, and that in others it is lamentably inefficient, as proved by results. My purpose is not to quarrel with anybody, not to be disturbed, or even annoyed, by citizens who for any reason resent the methods of this office and clamor for my decapitation—it is to do my part toward inciting and encouraging all State governments to put their banks on equality with the soundest and safest in the States best administered and with the national banks. In my view the best way to bring State and national banking systems into harmonious and cordial cooperation is to have all deserve and receive an equal share of the public confidence, and I am unable to see how any other policy can tend to prevent jealousies or friction."

It is a gratification to announce that the national bank section, American Bankers' Association, hopes in a few days to open a branch office in Washington, and the first one to whom I shall pay my respects after quarters are established is your esteemed self.

Please accept meanwhile all assurances of increasing regard.

Very truly, yours,

FRED. W. HYDE, *Secretary.*

I respectfully ask that the attached copy of my letter of September 19, 1919, to your committee be printed in this record as a part of this statement:

TREASURY DEPARTMENT,
Washington, September 19, 1919.

DEAR MR. CHAIRMAN: The record shows that at the meeting of your committee on the 11th instant you said:

"Mr. Williams, before you begin your statement, I would like to ask you if you could furnish the committee with a list of all the national banks that have gone into voluntary liquidation during your term of office and have reorganized under the State laws?" to which I replied: "Certainly."

I now beg leave to advise you that the list to which you referred has been compiled and shows that for the period you mentioned, from February 2, 1914, until September 15, 1919:

The number of national banks which went into liquidation for the purpose of organizing as State banks or trust companies was.....	357
With aggregate capital of.....	\$41, 482, 500
The number of State banks, private banks, or trust companies which were converted into national banks was.....	417
With aggregate capital of.....	\$46, 799, 500
There were, therefore, 60 more State banks converting into national banks than there were national banks converting into State banks and trust companies.	
In addition to this, the records show that the number of primary national-bank organizations, exclusive of State banks, converting into national banks during the same period was.....	531
With aggregate capital of.....	\$32, 615, 000
Besides the 948 conversions of State banks and primary organizations there were in the same period 361 new charters granted to banks whose charters were expiring and decided to continue under national charters, thus making the total national charters issued for this period.....	1, 309

In my letter to you of August 26, 1919, I said (p. 23) :

"In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for 'the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system.'"

It may possibly interest you to know that the State bank referred to by Mr. Hogan was the Bank of Valley City, Valley City, N. Dak., and that under date of August 19, 1919, that very bank made application to me for permission to convert into a national bank. Apparently, Mr. Early has changed his mind.

Mr. Hogan's letter in which he disseminated that three-year-old letter of Mr. J. J. Early, president of the Bank of Valley City, was dated August 6, 1919. Mr. Hogan's communication was given to me by one of the Senators on the mailing list from which Hogan was addressing reprints of maliciously untrue newspaper articles and letters in connection with the "propaganda" he has been conducting.

Under date of August 19, 1919, I received the following letter from the North Dakota banker referred to by Mr. Hogan :

BANK OF VALLEY CITY,
Valley City, N. Dak., August 19, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: Our directors have passed a resolution to convert this bank into a national bank, the title to be "The Valley City National Bank." Please make reservation of this title and forward to us the necessary blanks so that we may make formal application.

Very truly,

JAS. J. EARLY, *President.*

If you desire the full list of the names of the 357 national banks which have converted into State banks, and of the 417 State banks which have converted into national banks, and other new national banks chartered, 531, I shall be pleased to send it to you for insertion in the record.

The record shows that the movement toward the nationalization of State banks and trust companies is proceeding at an accelerated speed.

For the 10 months since January 1, 1919, there have been about seven times as many new charters granted for new national banks and applications for increase in the capital of existing banks approved as there were in the same period reductions of capital and liquidations (other than banks consolidating with other national banks).

Faithfully yours,

JOHN SKELTON WILLIAMS.

Hon. GEORGE P. McLEAN,
United States Senate.

I trust that the foregoing pages may be a sufficient answer to the charge or suggestion upon which Mr. Hogan expatiated at much length before your committee to the effect that the bankers of the country by their "ominous silence" were expressing their disapproval of my administration as Comptroller of the Currency.

I shall now take up, dissect, and refute in detail other charges against my administration which Mr. Hogan imposed upon your committee at the time of his last appearance before you on September 5, and I shall show you that these charges, as have been all other charges made by this witness which reflects in any way upon the integrity and efficiency of my administration, were untrue, unfounded, and generally maliciously so.

In answering his complaints and misstatements of the 5th instant I am relying on my own recollection of what he said to your committee at that hearing at which I was present, supplemented by the typewritten report obtained from the official stenographer. I have delayed the submission of this final statement more than two weeks awaiting the receipt of the official report of the hearing, but as it has not been received up to this date I have decided not to hold back my statement further, but I am sending it to you, reserving the right to send in a supplementary statement if, after reading the record of Mr. Hogan's testimony of the 5th instant after he shall have revised it, as I am informed he is doing, a further reply shall seem to be necessary or desirable.

If by any chance I have overlooked any complaint or charge of any sort made by Mr. Hogan or any other witness before your committee which reflects upon the integrity and efficiency of my administration and may not specifically have denied it, I beg that you accept this as my denial thereof, and I respectfully ask your attention to the fact that the few adverse witnesses who have appeared before you have not and can not produce proofs of any such charge or complaint, for with the record established as it is their charges, complaints, or insinuations would be without foundation. If you desire cumulative or additional proof of the correctness of any statement made by me, I shall be happy to furnish it upon notification.

CHARACTER OF OPPOSITION TO COMPTROLLER.

I respectfully ask, Mr. Chairman and gentlemen, that when you have read the letters printed above and which represent only a few of the many I have received from every section of the country that you contrast the names of those writers with the pitifully few and discredited witnesses who have consumed the time of your committee with their voluble statements and attacks upon my office which were not only maliciously untrue, but without the least foundation or justification as the record abundantly proves.

On the one side you have, first, the local bank official whose discreditable practices and operations it has been my duty to bring to your attention in the course of these hearings. That official, Wade H. Cooper, is a member of the group or coterie of so-called "bankers" whose disreputable operations have already resulted in the indictment of one of its members, N. P. Jenrette (a first cousin

of this bank official), in connection with the disappearance of some \$35,000 of notes, and in the issuance of an order by a Chicago court for the arrest of another member of the same group, Lawrence J. Cooper, of Waycross, Ga. (a brother of this local bank official), for "conducting a confidence game" and fraud, and also his indictment by a Georgia court for causing the "fraudulent insolvency" of a State bank in Georgia with which he was connected. A succession of six or more bank failures in the South mark the trail of members of that group. See page 734 of these hearings for partial list.

The other witness who has taken up most of the time of your committee is an attorney for the Riggs Bank. I have proved to you that his testimony has been a repetition of untrue statements, wantonly false. I do not doubt but that you have observed how he has evinced his malice in his every utterance, gesture, tone, and expression. He has given you many illustrations of his reckless disregard of truth, but I shall only remind you here of his attempt to deceive your committee on the 5th instant by telling you, in response to questions by you as to "dummy" loans, that the \$26,000 loan referred to, made by the bank through a dummy to its former cashier, H. H. Flather, was made in that manner because Mr. Flather had to leave Washington to be with his wife during her last illness in the Adirondacks.

To use Mr. Hogan's own precise language in referring to this subject and Mr. Flather, he says:

He had a relative named Nevius here. He had Mr. Nevius—Mr. Flather took up his note, turned over his collateral to Mr. Nevius, and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly margined—the loan splendidly collateralized, with plenty of margin, so if any question might come up in his absence it could be handled by Mr. Nevius, and Mr. Nevius could do anything he wanted, but the bank loaned the money on the face of the collateral which belonged to Mr. Flather. That's another thing that characterizes a "dummy" loan.

Now, gentlemen, that loan which Mr. Hogan has described with such particularity was made August 22, 1911, and remained in the Riggs Bank for about three years, until the summer of 1914, when during an examination by this office it was taken out by Flather. (See page 594, February hearings.) Inquiry at the department of health showed, however, that Mrs. Flather had died on July 20, 1907, more than four years before the loan was made! The record shows that besides the "dummy" loans, H. H. Flather had been borrowing continuously in his own name large sums of money from the bank for more than 10 years prior to 1914. (P. 598, February hearings.) Mr. Hogan's story and attempted excuse is thus proven to have been simply a reckless and disgraceful invention.

CHARACTER OF MEN COMMENDING COMPTROLLER'S ADMINISTRATION.

It will be noted that those who so strongly commend my administration of the office of the Comptroller of the Currency are men of the very highest standing in the banking and business world. They include the Secretary of the Treasury, Members of Congress, governors of States, mayors of cities, United States district attorneys, both directors general of railroads, commissioners of banking, also

of railroads, the members of the Federal advisory council of the reserve banks, directors of Federal reserve banks, former presidents of the American Bankers' Association, and the chief executives of the leading and largest banks in such representative cities as Baltimore, St. Louis, Kansas City, and San Francisco, as well as presidents of the smaller banks.

These letters have all come to me voluntarily and unsolicited.

The complete falsity of the statement made by Mr. Hogan before your committee on July 9 that every point of contention before the court had been decided in favor of the Riggs Bank has been completely established by this record, as especially set forth in my letter to your committee of August 12. On September 5 Mr. Hogan sought further to mislead your committee by his declaration that—

Neither Judge McCoy nor anyone else ever entered an interlocutory decree in that case; there was no interlocutory decree; there is no record of any interlocutory decree.

The records of the court contain the decision rendered by Justice McCoy on May 21, 1915, which has been referred to in these hearings as the "interlocutory decision," and it was in that decision that the court said, in most emphatic and unequivocal language, that " * * * I do not see how anybody can fail reasonably to reach that conclusion" (that if there was a manifestation of malice, it was on the part of the Riggs Bank), "and that if there was bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants" (the Secretary of the Treasury and the Comptroller of the Currency) "were the aggressors in the matter."

A year later, on May 31, 1916, the court handed down its final decision, which has been printed in this record and which was overwhelmingly against the bank. In that final decision the court again emphasized the fact that—

The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency.
* * *

Mr. Hogan's glib readiness in denying established facts does not change them.

In his testimony in this connection there is additional evidence of his malice and his unscrupulous disregard of truth.

In discussing this subject on pages 648 and 649 of these hearings, Mr. Untermeyer says:

In my judgment Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of his decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials, so far as concerned the charges made against them for conspiracy and wrongdoing. * * *

Mr. Hogan was also, I think, inaccurate in his statement that the preliminary application was not decided by Judge McCoy for more than one year after it was submitted. In point of fact, in its essential features, it was decided at the close of the argument in an oral opinion, which was later supplemented by the lengthy opinion that is in the record. The conspiracy charge was exploited and answered at great length upon the argument and in the lengthy affidavits and exhibits that were submitted, and the judge then held that the action of the Treasury officials was not malicious or the result of a conspiracy, as had been charged; that the malice, if any, was rather the other way; and that the officials would have been derelict in their duty if they had done otherwise than they did.

Mr. Hogan has bitterly criticized my action in requiring the Riggs National Bank to inform me as to loans the bank had made through a certain period of years to Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency, national bank examiners, and to members of the families of those officers. He then charges me with inconsistency, claiming that two banking firms in which certain of my brothers are interested had loans with a national bank in the District and with a trust company in this city, although he adds, "I have no doubt they are properly collateraled."

Let me state that since I came to Washington more than six years ago to accept the office of First Assistant Secretary of the Treasury, neither I nor any member of my immediate family, my wife or my children, have ever borrowed one dollar from any national bank in the city of Washington or elsewhere. Furthermore, I will state that, although I think it will be conceded that it would have been perfectly proper for me if I had had occasion to do so to make properly secured loans with State banks or trust companies, not members of the Federal reserve system, yet I have been so scrupulously careful that I have never at any time since I became officially connected with the Government borrowed a dollar from any State bank or trust company in Washington or anywhere else.

It is true that the old established banking firms in which some of my brothers are partners, to which Mr. Hogan refers, have had deposit accounts and business relations with many banks, including among others the two institutions in Washington to which he has referred. On pages 255-257 of these hearings, are proofs that their loans were not only abundantly secured, but that they had a particularly wide margin.

In view of the slighting manner in which Mr. Hogan has referred to the banking firm in Richmond, Va., of which I had at one time the honor of being a member, I will take advantage of this opportunity to state that its history shows that that banking house, for constructive and useful work and honorable dealing has a record for which its members may be justly proud. It was certainly not pecuniary gain that I came to Washington to perform public service and gave up membership in a banking house whose net profits, as I recall, for one 5-year period, some little time preceding my retirement from it, had averaged each year for that period about 100 times as much as my annual salary as Assistant Secretary of the Treasury, and I believe largely exceeded the net earnings of any national bank or State bank or trust company in the entire South.

As to the propriety of the inquiry which I made of the Riggs National Bank as to the loans which it had been making to Treasury officials under whose supervision the bank was operating and to examiners by whom it was being examined, that has been passed upon by the Supreme Court of the District in its decision rendered May 31, 1916. On this point the court said:

There was a demand for information in regard to loans made by the plaintiff, directly or indirectly to Secretaries of the Treasury and Assistant Secretaries of the Treasury of the United States, to Comptrollers of the Currency, to national bank examiners, and to employees of the comptroller's office. The demand certainly can not be considered an improper one, especially if any officers of the bank have been officers since its organization, to which time reference is made in the demand, and the facts in that regard should be fully stated.

The sworn replies of the Riggs National Bank to my interrogatories on this subject disclosed the fact that the bank had been making loans continuously to Treasury officials who had directly or indirectly been charged with the supervision of national banks, including a former Comptroller of the Currency (to whom loans were made during the greater part of his incumbency as comptroller) and to the national bank examiners themselves; that in the 10-year period prior to my appointment as comptroller, of the 11 Assistant Secretaries of the Treasury who had supervision of fiscal bureaus, including the office of Comptroller of the Currency, 8 had been borrowers at one time or another from the Riggs Bank, and 5 of them had been borrowing money from the bank during the period that they were actively in office. The committee may form their own conclusions as to the tendency and propriety of such transactions.

In regard to loans made by the bank to its own officers and their families, if Mr. Hogan is unable to distinguish the difference between a national bank making "dummy" or other loans to its president, its vice president, and its cashier and to the wives and children of these officers (the Riggs Bank had been lending to its president and to the son of its president and to the wife of its president, to its vice presidents and their children, as well as to other members of their families, in some cases for very large sums) and a loan made by a national bank to a business house, some of the partners of which may be brothers of the Comptroller of the Currency, but in which firm the Comptroller of the Currency has never had, since he has been comptroller, any financial interest, it will be hopeless to attempt to instruct him.

In his statement before your committee on September 5 Mr. Hogan said:

The biggest Government deposits, eliminating the war deposits, that national banks have had here are the Isthmian Canal Commission and the Philippine accounts, which were kept in 1914, 1915, 1916, and, as far as I know, now are kept in the Commercial National Bank, but which were not put into the calculation as Government accounts, although they are absolutely Government accounts to such an extent that the law provides that reserves need not be kept against Panama Canal accounts any more than any other Government funds. Here is what the record shows: In December, 1916, it shows that the Commercial National Bank had in these Government deposits, including Panama Canal and other Government deposits, \$2,080,000. All the other 13 national banks in the District had \$1,085,000. The average of the 13 national banks of the District was \$83,400 Government deposits against the Commercial Bank of \$2,080,000, and at that time the Commercial Bank's resources were \$10,220,000 and the other national banks' resources were \$61,099,000, so that the other banks—the total of the Government deposits in the other 13 banks in this city was 1½ per cent of their resources, whereas the Government deposits in the Commercial National Bank at that time were 20 per cent of its resources. That's what statistics show.

In making these statements, gentlemen, Mr. Hogan has again attempted to deceive and mislead your committee. The official records prove the falsity of his statements and figures. The Treasury record shows that the 13 other national banks of Washington held of public deposits on December 27, 1916 (the date of the December, 1916, call) \$1,462,000, including Panama Canal and call Government deposits, not \$1,085,000 as stated by Mr. Hogan. On the same date the total amount of Government deposits held by the Commercial National Bank at Washington was \$783,000, which is quite different from the

figures mentioned by Mr. Hogan—\$2,080,000. In addition to the \$783,000 held by the Commercial National Bank at its main office in Washington, the Commercial National Bank also had on the date named on deposit in its two branches in Panama the sum of \$832,000. These deposits in the branches in Panama were in no way competitive deposits which could have been divided with other Washington banks, as they were needed for business on the Isthmus and for meeting the pay rolls of the Isthmian Canal Commission and the Panama Railroad, employing at that time more than 25,000 men; but even if we should include the canal funds carried with the Panama branches with the deposits of the home office, the total amount would only aggregate \$1,615,000.

Mr. Hogan's statement that the total of the Government deposits in the other 13 national banks in this city were "1½ per cent" of the resources, whereas the Government deposits in the Commercial National Bank at that time were "20 per cent" of its resources, is simply false, characteristic of Mr. Hogan's whole testimony.

Omitting the deposits with the Panama branches which were in no way competitive with the Washington banks, the percentages of Government deposits of all kinds with the Commercial National Bank amount to 7.7 per cent of its resources. Another large national bank in the district at that same time held Government deposits amounting to 6.9 per cent of its resources, while the deposits of a third national bank in the district at that time amounted to 8.5 per cent of its resources, a larger percentage than the Commercial in Washington. If we should include the deposits of the Panama branch, which it would be unfair to do in view of the fact that no other local bank could have participated in any event in those deposits, the proportion of Government deposits in Washington and Panama combined to the Commercial Bank's total resources would be 12.9 per cent. The record shows that Mr. Hogan's figures as to the deficiency in reserve of the Commercial National Bank was also false.

It may not be out of place to mention in this connection that the foreign banking corporation to which the Commercial National Bank sold its Panama branches (since 1916) now has in its Panama branches Government deposits very largely in excess of \$2,000,000, or more than twice as much as were carried by the Commercial's Panama branches at the time to which Mr. Hogan refers.

When before this honorable committee on September 5 Mr. Hogan again attempted to explain the accounts referred to in these hearings as the "Glover & Flather" and "Flather & Flather" accounts as being accounts to which commissions on the bank's irregular purchases and sales of bonds and stocks, and brokerages arising from real estate transactions, were credited, Mr. Hogan said:

Those were simply, so far as the Riggs Bank was concerned, depositary accounts that might have been with Jones & Smith or, if I may borrow the name, with Mr. T. H. Newberry or anyone else. It simply, as far as the bank was concerned—the money deposited by Glover & Flather or Flather & Flather, and it was where the officers kept in the bank the commissions that were ultimately turned over to the bank by the officers. That's all they were.

So much for Mr. Hogan's explanation of that account on September 5, 1919, and I ask your attention to President C. C. Glover's explanation of these same accounts as given to the national-bank examiner when Mr. Glover was testifying under oath on January 6, 1915.

Examiner Smith asking Mr. Glover in regard to these Glover & Flather and Flather & Flather accounts said:

As a matter of fact, was it not always understood between you and the directors of the bank that all the profits arising from these transactions placed in these accounts were in reality funds of the bank and that they would ultimately be transferred to a profit-and-loss or some similar account in the bank?

To which Mr. Glover replied: "Absolutely no." Mr. Glover then added:

Many of the directors had no knowledge whatever of the character of this account at all.

As an example of Mr. Glover's contradictory statements I ask now your attention to the following extract from a letter which he, jointly with Messrs. W. J. and H. H. Flather addressed to the directors of the Riggs National Bank on June 18, 1914. In referring to his explanation of the Glover & Flather and Flather & Flather accounts, Mr. Glover, in that letter, said to his directors:

These facts are each and all doubtless perfectly well known to you. * * *

On page 306 of these hearings Mr. Jesse Adkins, former Assistant United States Attorney General, who was of counsel in the Riggs equity case, explained briefly and in the following language the character of the Glover & Flather and Flather & Flather accounts:

It was brought about by transactions which, at the time it was organized, were declared illegal or ultra vires as to a national bank. They were transactions which a national bank, as a national bank, could not legally do. Let me give you the history of that account. The accounts were carried on in all sorts of ways for a period of 18 years. The money always got back to the bank. These officers said: "If you ask us, we say we have a legal right to the money, but we say we do not propose to take it. The bank is going to get it;" and the bank always did get it. They were in a quandary there. If they said that the money was the money of the bank, then it meant that the bank throughout its existence had been violating the law, and they admitted that it violated the law. If they said that it was their money, the money of Flather & Flather, and they proposed to keep it, then they had this situation: They made far more than \$50,000. Here was money that was made by the officers of the bank in banking hours by the use of the bank funds, bank books, and bank clerks without a dollar of expense to themselves. There was on hand at that time about \$50,000.

If they said, "This is ours and we are going to keep it ourselves," that was not a very nice position to take.

Senator GRONNA. Do you mean to say that it used the bank's funds in that way?

Mr. ADKINS. They would use the bank's credit in buying stocks that they bought.

Senator GRONNA. But you just stated that they were using the bank's funds.

Mr. ADKINS. Yes, sir; they were using the bank's funds; and if they did not have enough money to the credit—

Mr. CHAIRMAN. Are you quoting now from the affidavit?

Mr. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

As former Examiner Reeves has been so frequently quoted by Mr. Hogan in justification of the irregular Glover & Flather and Flather & Flather accounts and the brokerage business transacted through those accounts, I think it proper to include the following statement, taken from the regular report of that bank examiner, Owen T. Reeves, date, May 31, 1910:

As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-

fashioned and sloppy. For a large and flourishing bank it lacks all the features of system employed in well-managed city banks. As previously reported, the officers of this bank do a commission and brokerage business. President Glover and Vice President Flather are members of the local stock exchange. Commissions received on purchase or sale of securities for customers is deposited to account "C. C. Glover & W. J. Flather," which at this time shows credit balance of \$87.68. Commissions obtained through the placing and collection of real-estate loans is credited deposit account "W. J. & H. H. Flather," which at this time shows credit balance of \$863.17. At intervals these officials make the bank a present of these earnings, or invest it by purchasing real-estate notes. I have reported this practice in reports of my examinations more as a matter of record as I have been told the matter was taken up and thrashed out with the comptroller several years before I arrived on the scene, and criticism in this regard ceased.

This extract from the report of Examiner Reeves, who has been so frequently appealed to by the Riggs attorney, brings out two special points: First, that the funds accumulated in these two accounts were used for "purchasing real estate notes," which the bank itself could not legally invest in, and, second, the examiner refers to the method in vogue as merely one in which he had acquiesced after having "been told" that it had been thrashed out with the comptroller several years before he arrived on the scene and that thereafter, as to these irregular transactions, in the language of Examiner Reeves, "criticism in this regard ceased."

In the following report, November 28, 1910, by the same examiner, Owen T. Reeves, the examiner made this statement as to these transactions:

A commission and brokerage business is carried on by President Glover and Vice President Flather, who are members of the local stock exchange, and commissions are credited to deposit account "G. C. Glover and W. J. Flather." Commissions received through the placing and collection of real estate loans is credited to deposit account "W. J. and H. H. Flather." At intervals the balances in both the accounts are wiped out by investments in real estate notes, which, I understand, are regarded as property of the bank not shown by the books (previously reported).

Mr. Hogan took pains to enlarge upon the fact that President Lincoln at one time kept an account with the old banking firm of Riggs & Co., but he omitted to state that that was before any of the present officers were connected with the bank, and is it not fair to assume that if the martyred President should have been alive in 1915 he would have been moved by the same considerations which impelled Justice McCoy, of the Supreme Court, to declare in his opinion:

It seems to me, on the record that is here before me now, that the Government officials would have been remiss if they had consented to permit the (Riggs) bank to act as agent for a new applicant bank, because * * * there is evidence here of persistent violations of the law, and that they began not with Mr. Williams's incumbency of the office, * * * but they began before he came there, and there is evidence that they are continuing until this day.

Mr. Hogan, taking as his text an obvious typographical error made on page 687 of these hearings, consumes five typewritten pages of the stenographic report in a malicious and wholly unwarranted attack. I ask permission to insert into this record here the following extract from my letter of September 15 to the chairman of this committee explaining fully and completely the incident which Mr. Hogan so distorts and misstates. In that letter I said:

I respectfully call your attention to the fact that this printer's proof which I have now corrected is the first that I have corrected during the entire hearings.

There have been a number of inaccuracies in the printed reports which have been furnished me, but I understood from the secretary of the committee, Mr. Sault, in July, that only a very limited number of the reports in detached parts were being printed and that there might be an opportunity to make corrections before the testimony should be put together in permanent form, and I have assumed that I would have opportunity to call attention to obvious typographical or stenographic errors and omissions before this was done. Some of the errors have been so patent that I did not think it worth while to take up the time of the committee by calling their attention to it; but, as Mr. Hogan has seen fit to seize upon a mistake of the stenographer to indulge in a bitter criticism which was utterly unwarranted by the facts, I now ask formally if I shall have the privilege of having the testimony, so far as given by myself, corrected where mistakes have been made by the stenographer or printer?

In his testimony before your committee on the 4th instant, Mr. Hogan claimed that the stenographer had made certain mistakes, and in that connection said:

"Mr. Chairman, may I first say that evidently, through one of those stenographic mistakes which all reporters, even the best, make, the word 'my' seems to be used, according to Mr. Williams's quotation from the proceedings here day before yesterday. I did not ask that these documents be submitted to me for my use. The word I used was—submit the documents to the committee for 'its' use."

But he undertook later on to make another mistake of the stenographer the basis, as I have stated, of malicious criticism of me.

On page 686 of the hearings, after presenting testimony given by Henry H. Flather, cashier of the bank, before National Bank Examiner Smith in regard to the \$26,400 "dummy" loan which Flather was carrying in the name of B. L. Nevius, jr., under date of August 22, 1911, I said:

"I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock brokerage offices."

Senator GRONNA asked: "What was that collateral?"

I replied: "That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list."

Senator Gronna asked: "Were they put up at par or put up at their actual value?"

The record, as it stands, reads thus:

"Mr. WILLIAMS. The stocks that sold at 1 were put up at par."

That record, Mr. Chairman, is an obvious and patent mistake of the stenographer, and I am not willing to believe that Mr. Hogan himself, when he garbled and criticized it as he did, believed that I had been correctly quoted by the stenographer. If he did, he has less intelligence than I supposed. Senator Gronna's commendable purpose in asking his question was, I of course assume, to make the record perfectly clear on that point, so that no one could pretend to suppose that I had suggested that any bank in the United States was loaning at par, or at 100 cents on the dollar, on a stock that was selling at 1 cent on the dollar. To make such a loan is something that would only be done by an insane person, for any banker with normal intelligence, even though he should have criminal instincts, would forbear to make such transactions which would subject him not only to the severest censure and liability, but would raise a question as to his sanity. The par value of the 950 shares of Rock Island, Missouri Pacific, St. Louis & San Francisco, and Inter-Continental Rubber stock on Cashier Flather's loan was \$95,000; their market value only \$5,525. At this point I direct your attention to my letter addressed to the president of the Riggs Bank on July 22, 1914, in which I pointed out that the bonds and stocks on Cashier Flather's loan were barely sufficient to cover the loan, leaving practically no margin whatsoever to protect the bank. I said in that letter:

In speaking of the loans made to the cashier of your bank, aggregating \$63,500, you declare that these loans "were secured by high-class, marketable local and out-of-town stocks and bonds, having a market value of \$70,000,"

although at to-day's prices they barely cover the loan. Among the "high-class, marketable local and out-of-town stock and bonds," I note the following:

200 shares St. Louis & San Francisco preferred stock.....	4
100 shares Rock Island Railroad preferred stock.....	1½
100 shares Rock Island Railroad common stock.....	1
200 shares Missouri Pacific Railroad stock.....	9½
200 shares Inspiration Consolidated Copper stock.....	18
350 shares Inter-Continental Rubber stock.....	7½

A banker would lend \$10,000 without collateral rather than make a loan for \$10,000 on 100 shares of stock with a par value of 100 which might be selling at 1 and worth only \$100.

In the printed testimony the seventh line from the top of page 687 of the hearings reads thus:

"Mr. WILLIAMS. I have no doubt they were."

The word "doubt" is incorrect; the word that I evidently used was "idea"—the stenographic symbols being somewhat alike—and the sentence should read: "I have no idea they were."

The next sentence in the same line of the stenographic report reads thus: "They were lending on stocks of a highly speculative character at par." The word "par" is incorrect. I never made that statement. The line should have been:

"They were lending on stocks of a highly speculative character in part."

The line that follows:

"Some of them were good. I do not know how the loans run for a period of years; how far they were adequately margined. It was with a view to getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report."

My statement from which I quoted above was made before the committee on July 28, 1919. At the meeting of the committee on July 10, 1919, the witness, Hogan, had read into the record the following statements:

"The loans of Henry H. Flather, the cashier of this bank, on May 18, 1914, aggregated \$63,500, and were secured by high-class, marketable local and out-of-town stocks and bonds having a market value of \$70,000, as follows:

"One hundred shares Security Storage stock; 65 shares Southern Railway preferred stock; 12 shares Norfolk & Washington Steamboat Co. stock; 150 shares Washington Railway & Electric preferred stock; 200 shares Inspiration Consolidated Copper stock; \$20,000 Wabash first and extended 4's; 350 shares Intercontinental Rubber stock; 200 shares Missouri Pacific Railroad stock; 50 shares People's Gaslight Co. of Chicago stock; 10 shares American Car & Foundry preferred stock; 100 shares Rock Island preferred stock; 100 shares Rock Island Railroad common stock; 200 shares St. Louis & San Francisco preferred stock."

In my statement above quoted in answer to Senator Gronna's inquiry, "What was that collateral?" I had subsequently referred to the record which stated the collateral. I had said to the committee:

"That has been referred to once or twice," and the record contained the full list of the collateral, and I added:

"I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list."

There was another direct reference to the record which gave the full list and to which the committee could readily refer, although I did not have before me at the time that list, and was speaking from recollection, but my recollection is shown by the record itself to have been correct. Of the Rock Island preferred stock at the time of the last examination before the controversy, May, 1914, there was on the loan 100 shares. Among other securities on H. H. Flather's loan were 100 shares of Rock Island common; and 200 shares of Missouri Pacific, just as I stated to your committee, and these securities were almost valueless and had shriveled up in a comparatively brief period, thus proving their highly speculative character. Mr. Hogan, in quoting me in referring to these stocks, had deliberately garbled my statement and he had suppressed the market prices of the five stocks, although pretending to give your committee a correct quotation from my letter, page 73 of the hearings.

My purpose in calling this to the attention of the committee on July 28, was to give the real market value of the stocks which Mr. Hogan had evidently been ashamed to print and to direct your attention to his unfair suppression. I had stated quite correctly that some of the stocks on Cashier Flather's loan were "selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18."

Mr. Hogan falsely charges that, in giving the quotation of "18" for one of the stocks, which it appears was a copper mining stock, I had endeavored to convey the impression that that was a stock with a par value of 100 selling at 18. As a matter of fact I had no idea what the par value of that mining stock was or is, having never bought, sold, or owned a share of it, or made inquiry on that point in regard to it. My statement that the collateral included this mining stock at a marked price of "18" was wholly correct and gave no ground for honest criticism.

Mr. Hogan prints in the record a copy of the Riggs Bank letter to the comptroller of February 1, 1915. I ask permission to enter in the record Deputy Comptroller Kane's reply of February 11, 1915, to the Riggs Bank, as follows:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, February 11, 1915.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On the 22d ultimo this office requested you to prepare and furnish within 10 days, under the penalties provided in sections 5211 and 5213, Revised Statutes, a statement or report showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Alles, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above-named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Alles, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured; also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr.; and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them, in each case."

This office has received a letter from you dated February 1, 1915, in which you claim that the loans heretofore made to its officers by the Riggs National Bank have now been paid, and that the only loan to any member of the respective families of the officers named is a certain loan to the wife of your cashier.

You also say:

"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named, * * *.

This office has information which indicates to the contrary.

You say, referring to letter from the comptroller's office of the 22d ultimo:

"As the statement which you request would require an examination of all the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call for a special report, we decline to furnish it."

It is with regret, although not with surprise, that the comptroller notes your official admission that the preparation of a statement showing the borrowings

from the Riggs National Bank of its own officers—its president, its two vice presidents, its cashier, and its assistant cashier—would be a task of such large dimensions as would "entail serious loss of time and diverting the attention of our" (your) "officers and employees from our" (your) "current business."

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency of the 22d ultimo you are liable for a continuing penalty of \$100 per day, as set forth in the letter of the 22d ultimo, above referred to, in accordance with sections 5211 and 5213 of the Revised Statutes.

Respectfully,

T. P. KANE, *Acting Comptroller.*

To illustrate the unusual and excessive extent to which the officers of the Riggs National Bank were borrowing for their private purposes the funds of the bank it is interesting to note that such loans in that bank at the time of the examination made by Examiner Hann in May, 1913 (the same report which has been so commended by Mr. Hogan) amounted to more than the aggregate of all loans made to all their officers by all the national banks in either the cities of Chicago or St. Louis, as shown by the official reports of June last. They also amounted to more than the aggregate of all loans made by all the national banks to their own officers at the time of the June call in any of the following cities: Minneapolis, St. Paul, Buffalo, Louisville, Portland, Seattle, or Detroit.

In the letter of February 1, 1915, the Riggs Bank officials made under oath the following statement:

We beg to say that this bank has never made any "dummy" or "concealed" loans to any of the officers named; and we beg further to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank made for the benefit of either of the officers you name, or indorsed by any of them, or for which they furnished the whole or any portion of the collateral, or of which they received the whole or any portion of the proceeds.

This record contains abundant proof of the falsity of that statement and of the confession by the bank's officers also under oath that they had been the beneficiaries of and had owned the collateral pledged to secure various "dummy" or "concealed" loans, and on page 694 of these hearings Mr. Nevius, one of those used as "dummy" for President Glover, in response to a request from the examiner as to the frequency of these "dummy" or "concealed" loans is shown to have said:

We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

The Supreme Court of the District in regard to these "dummy" loans has said:

It is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limit to the scope of an inquiry by the comptroller should be reasonably suggested.

Commenting upon this situation Mr. Hogan lightly pooh-poohs Justice McCoy's decision, and declared to your committee: "I do not care what judge says that he was acting within his legal power when deciding any nisi prius, a preliminary motion," etc. This is his language in referring to the decision of the Supreme Court of the District.

Only because of your warning that I should take pains to deny specifically Mr. Hogan's numerous false allegations do I take the time to deny and denounce as untrue Mr. Hogan's next succeeding statement in which he declared that I told you "that any bank that goes to a court for a legal interpretation of Mr. Williams's power when there is a difference of opinion between the bank and the comptroller must and should forfeit its charter," and "that the going into a court of the land constitutes a defiance of the comptroller." The record shows that no such statement was made by me.

In his testimony Mr. Hogan places much emphasis upon the fact that among the stocks upon which the bank was lending, mining stocks figured at only \$289,000. He refrains, however, from going further into that list, which showed in addition to \$289,000 of mining stocks held as collateral there were \$325,000 of oil stocks also held, and the value of the industrial and miscellaneous stocks was stated by the bank under oath to have been \$4,561,374, against Government bonds held as collateral amounting to only \$16,678, and State and municipal bonds only \$88,118.

Mr. Hogan in his testimony resents the statement made by me which he quotes, that a certain loan which had been in the bank many years and had been criticized by seven national bank examiners, had been secured "By miscellaneous stocks and securities of questionable value." The list of securities which he read abundantly proves their "questionable" character, but the inadequacy of that collateral is sufficiently proven by the fact that the bank sustained and charged off, as Mr. Hogan will admit, a loss of about \$29,468 on that very loan.

Mr. Hogan then devotes many pages in the stenographic typewritten report of his testimony of September 5 to a labored but impossible attempt to explain the many contradictory statements which the bank's officials are shown to have made in connection with the so-called "Crocker bond transaction." The record in this case abundantly proves (pp. 670-682) the falsity of Mr. Hogan's claim that the Riggs Bank "assumed no liability" in connection with the \$1,500,000 of Government bonds purchased and held on joint account with the National City Bank of New York. I will not weary you with further details as to this transaction, but respectfully refer you to my testimony of this subject already given and corroborated by documentary evidence. The falsity of Mr. Hogan's statements is also shown by the testimony given by former Assistant Attorney General Adkins (pp. 318-319 of these hearings). I ask attention to the following excerpt from Mr. Adkins's testimony:

It is perfectly apparent from the correspondence that the transaction was one between the banks, and it was not one by Mr. Alles or Mr. Flather or anybody else as an individual, and that the Riggs National Bank was entitled to one-half the profits and was subject to one-half the losses, if there might be any. Fortunately, there were no losses. But there was this very substantial profit of \$56,000, and that went into the Glover and Flather account, and finally found its way into the profits of the bank.

SENATOR GRONNA. There seems to be no disagreement between you and Mr. Hogan on that, if I read this testimony correctly.

MR. ADKINS. Mr. Hogan's contention is that that account belonged entirely to Glover and Flather and Flather and the money in it. He said legally it is theirs. I call your attention to the Crocker National Bank transaction, where \$56,000 which the National City Bank had credited to the account of the Riggs Bank had gone into this account, and say that Mr. Hogan was wrong,

as a matter of law, in contending that a single dollar of either the Glover and Flather account or the Flather and Flather account belonged to the individuals. I say that in equity and law it belonged to the bank, always did belong to the bank; that it arose out of business carried on by the officers of the bank in this way in order to get around the provisions of the national-bank law which forbade the doing of that business.

Senator GRONNA. They are doing this, of course, in order to get around the law prohibiting national banks from doing a real estate business. That is why they are doing it?

The CHAIRMAN. Were doing it, you mean, Senator. They are not doing it now.

Mr. ADKINS. No; they have ceased as a result of this investigation made by the comptroller.

As Mr. Hogan in this same connection unjustly charges me with malice toward Mr. Ailes on the absurd ground that Mr. Ailes had been elected a director in a railroad corporation contemporaneously with my retirement from the road, I will take advantage of this occasion to place in the record the following excerpt from testimony given by this same Mr. Ailes in this same connection before the Senate committee in 1914, together with documentary evidence of its falsity.

Excerpt from testimony before Committee on Banking and Currency of the Senate, re nomination John Skelton Williams to be Comptroller of the Currency and ex officio member Federal Reserve Board, January 15, 1914:

Mr. AILES. The bank examiner of New York City, Mr. Starek, has been to some of the banks and told them that the Seaboard Line's loans were questionable. Don't you think that this is a matter of importance?

Senator WEEKS. It may be.

Senator SHAFROTH. Was he requested to do so by the Secretary?

Mr. AILES. I do not know; but Mr. Rorebeck, a former examiner, told me he lost his job because he would not do it.

Acting Comptroller Kane directed the following letter to former Examiner Rorebeck on January 26:

MR. E. F. ROREBECK,
Vice President Metropolitan Trust Co.,
New York, N. Y.

DEAR MR. ROREBECK: In the issue of the *Financier*, of New York, dated January 24, 1914, on page 297 you are quoted as having stated to Mr. Ailes in connection with loans by New York City banks to the Seaboard Air Line as follows:

"Mr. AILES. The bank examiner of New York City, Mr. Starek, has been to some of the banks and told them that the Seaboard Lines, loans were questionable. Don't you think that is a matter of importance?"

"Senator WEEKS. It may be.

"Senator SHAFROTH. Was he requested to do so by the Secretary?"

"Mr. AILES. I do not know; but Mr. Rorebeck, a former examiner, told me he lost his job because he would not do it."

I wish you would let me know by early mail whether or not you have been correctly quoted. I assume that you have not, for the statement is certainly not in accordance with the circumstances that led to your resignation as a national-bank examiner.

Respectfully,

T. P. KANE, *Acting Comptroller*.

Mr. Rorebeck replied on January 27, 1914, as follows:

DEAR MR. KANE: I am in receipt of your letter of the 26th instant, in which you quote statement of Mr. Ailes before the Senate committee, in which he says that I told him that I lost my position as national-bank examiner because I would not, at the request of Mr. Williams, Assistant Secretary of the Treasury, criticize loans of New York City banks on the Seaboard Air Line securities, and asking me to let you know whether or not I was correctly quoted.

I certainly was not correctly quoted, and have never made any such statement to Mr. Ailes or to anybody else. I have been repeatedly called upon by newspaper men recently to make some statement along this line in connection with my relations to the new administration, and I have repeatedly informed these people that I had no statement to make and that there was nothing in the rumors that I had personal information in connection with my former official duties which in any way reflect on Mr. Williams.

Respectfully,

E. F. ROEBECK.

Mr. Hogan says that in 1903 Secretary Shaw designated the Riggs National Bank as a Government depository and that later on he designated "every national bank in the District of Columbia depositories, so there would be a fair distribution and not a few banks getting it." Mr. Hogan's ideas of a fair distribution are peculiar, for Secretary McAdoo, in his affidavit in the Riggs equity case, gives the following facts as to how the distribution was made during those years succeeding 1903:

During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874.

The average balance of Government funds on deposit with the plaintiff bank (Riggs) from the time the said Ailes became connected with the bank in April, 1903, until March, 1907, was \$2,018,957.

Mr. Hogan next refers to the action of Mr. Ailes in 1903 in signing an order as Assistant Secretary of the Treasury for the transfer of \$2,900,000 of Government funds from the Federal Treasury to the Riggs National Bank immediately before his resignation from the Treasury to accept the vice presidency of that bank. Mr. Hogan seeks palliation by claiming that of this \$2,900,000—

Not a single solitary dollar of that money was taken out of the Federal Treasury at that time. It was in the National City Bank of New York by which Mr. Ailes was also going to be employed.

The money was taken from the Federal Treasury; whether it was taken from the Federal Treasury via the National City Bank or via some other bank or through a subtreasury makes no difference, and I do not doubt that this committee fully realizes the absurdity of Mr. Hogan's claim that Government balances in national banks are not Treasury funds.

Mr. Hogan submits excerpts from communications from the comptroller to the Riggs Bank notifying them that they were from time to time incurring penalties at the rate of \$100 per day for omission to furnish special reports called for, or that they were liable to the imposition of penalties for omission to send in reports.

The record is perfectly clear that only upon one occasion was the bank ever notified of the assessment of any penalty, and that occasion was their refusal to furnish information with regard to "dummy" and other loans made by the bank to the bank's officers and their families. For their omission to furnish that information the fine of \$5,000 which became the basis of the suit was assessed. Mr. Hogan's claim or charge that penalties aggregating \$160,000 had ever been imposed or assessed is a deliberate misstatement, wholly without justification. At the hearing on September 5, Senator Newberry developed this point quite clearly and asked Mr. Hogan plainly:

"Any possibility he (the comptroller) said 'assessed' instead of 'imposed?'" In reply Mr. Hogan had to state: "Oh, Senator, that is the—he uses now the word assessed. The words he used were 'accrued' and 'imposed' and when he came to get the \$5,000 he used the word 'assessed,' and now he says—and that is what has been suggested to you that he only 'assessed' the penalty once."***

The chairman asked Mr. Hogan: "Is that the word used in the statute—'assessed?'"

Mr. Hogan again was forced reluctantly to admit: "Yes, sir; shall be assessed, shall be collected when assessed."

To which the chairman replied: "I assumed it was."

That ended Mr. Hogan's discussion on that point in connection with which he had attempted to mislead your committee into believing that penalties of about \$160,000 had ever been actually assessed when in fact the only penalty ever assessed was the \$5,000 penalty referred to, and which the court's opinion said could have been collected from the bank but for the fact that in calling for the report (for the omission to furnish which that fine was assessed) the comptroller had directed the bank to have the report signed by president "and" cashier and certain other officers instead of by president "or" cashier and attested by at least three directors, as the statute provided.

Mr. Hogan next seeks to minimize the emphatic declaration of the court to the effect that if there had been any malice or bad blood shown in this controversy it was on the part of the officers of the bank and not on the part of the Secretary of the Treasury or the Comptroller of the Currency. Justice McCoy's declaration on this point is clear and positive.

The plain facts as to the Riggs equity case were these:

The suit was instituted by the Riggs National Bank, and that bank, through its counsel, filed in the court a bill of complaint comprising some 86 legal-size pages. In that bill the bank set forth at great length matters relevant and irrelevant to the issue and charged malice and conspiracy to injure or ruin on the part of the Secretary of the Treasury and the Comptroller of the Currency. The bank obviously crowded into its bill of complaint all matters in its possession or which it could get hold of which it thought might aid in showing or indicating malice on the part of the Government officials, and the bank's attorneys went out of their way to rake the record for anything of this kind they could possibly find or misinterpret into an evidence or suggestion of hostility, but, with this bill before the court, and the answer and affidavits filed by the defendants, and after long and elaborate arguments by counsel on both sides, the court gave its opinion that the malice was the other way, and—

that if there were bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants—Secretary of the Treasury and Comptroller of the Currency—were the aggressors in the matter.

The bill filed by the bank against the Treasury officials in the equity suit seethed with invective and malicious abuse. The court record shows that at the very opening of the trial Mr. Untermeyer was moved to make the following statement:

I doubt whether any bill has ever been filed in this court that contains so much of—I was about to say—invective.

Mr. Hogan replied:

Do not hesitate, Mr. Untermyer, to say anything.

Mr. UNTERMYER. I do hesitate, because I am afraid of following a bad example. But of course the officers will want to be heard on all the allegations. The Court. There will be every opportunity to have the case presented fully. I hope it will not take more than one day.

The case was fully presented and took not one day but the arguments kept up for practically 10 continuous days, and at the conclusion, on May 21, the judge made the declaration that:

The case, such as it is, made out by the bill, assuming that any was made out by the bill for the purpose of an injunction, has been met overwhelmingly, in my opinion, by the proofs which are here in the form of affidavits, and I shall deny that relief pending the action.

In his testimony on September 5, Mr. Hogan makes the following reckless statement:

There was never a time in the entire history of Riggs when there was more than a temporary depreciation in the reserve.

The official figures show that that statement is wholly false and contradicted by the official records. In the affidavit of the Comptroller of the Currency, printed on page 569 of the February hearings before this committee, I called your attention to the following statement:

Practically continuously from January, 1910, to January, 1914, the reports of condition filed by the plaintiff bank with the comptroller showed a shortage in its cash reserve averaging more than \$150,000, the shortage June 4, 1913, amounting to \$500,363. Said reports also show throughout the said period a further average shortage in the reserve for the period of 30 days prior to the date of practically every report of condition of the plaintiff bank. Attached hereto, marked Exhibit D and made part hereof, tables showing the amount and percentages of said deficiencies.

That statement is fully supported by the reports of the national bank examiners, corroborated by detailed tables.

Please refer to Table "D," page 592, February hearings. Part 1 of that table was prepared in accordance with the method of calculation always used in computing the reserve and shows that from June 29, 1900, to March 4, 1915, the bank was short in its reserve at the time of making its sworn reports of condition in every year with the sole exception of 1901 and 1905, and that in the years 1910-1912 and 1913 it was short at the time of every one of the five reports made during those years.

In the Table D, part 2, page 592, February hearings, showing the percentage of average reserve carried for 30 days prior to the date of the reports of condition, the records show that the bank had been averaging short in its reserves at the time of two reports of condition in 1906; two in 1907, one in 1908, three in 1909; five in 1910; five in 1911; five in 1912; four in 1913, and one in 1914.

The shortages shown in part 2, Table D, are taken from the sworn reports of condition made by the Riggs National Bank itself, over the signature of its president or cashier and attested by its directors.

With that record staring him in the face, Mr. Hogan brazenly seeks to deceive your committee by declaring to you:

There was never a time in the entire history of Riggs when there was more than a temporary depreciation in the reserves.

I ask your attention to the following statement made before you on July 16 by former Assistant Attorney General Adkins on the subject of the Riggs Bank's habitual shortage in its reserve:

Another violation was in connection with deficiencies in reserve, and this was one that was discussed here at some length the other day, I believe. Under the sections of the revised statutes a national bank in a reserve city—and Washington is a reserve city—shall maintain a cash reserve equal to 25 per cent of its total cash deposits. One-half of that reserve must be in cash in the vaults of the bank, and the other half may be deposited in national banks approved by the comptroller situated in one of the three central reserve cities. In this respect they violated the law almost steadily. Whenever one of their reports came in they very rarely had the 12½ per cent in cash in their vaults. Sometimes they were short both in the 12½ per cent cash and the 12½ per cent deposited in other banks. Sometimes when they were short in their cash they were over in their deposits in other banks. But that did not change the fact that they were violating the law.

The comptroller on page 55 of his affidavit gives a couple of tables showing this violation. For instance, on June 29, 1900, he shows a shortage in the cash reserve of forty-six thousand and odd dollars. On June 4, 1918, he shows a shortage in the cash reserve of \$500,000. I want to call this to your attention particularly because Mr. Hogan referred to it as one of the half truths of which he said the comptroller was fond. We state in the affidavit that they were habitually short in the half of the 25 per cent which was required to be in their vaults in cash. We said they were quite frequently short in the other half which must be in other banks, and our table undertook to show the shortage. We give in the first column the cash shortages. We give in the second column the agents' shortage. They were not short with the agents nearly so often as they were with the cash.

In his testimony on September 5 Mr. Hogan declared that the sworn statement of the bank's officers showed "That the Riggs National Bank from the day it became a national bank never made any real-estate loans.

That statement is about as reckless and untrue as Mr. Hogan's declaration quoted above in regard to the bank's reserves. The bank's history shows that it was a flagrant violator of the law in regard to its real-estate investments and operations from the very outset.

On September 14, 1899, former Comptroller of the Currency Charles C. Dawes in a letter of criticism to the bank said (page 748 of these hearings):

At the time of the examination the bank had loans secured by real estate amounting to \$310,838.40, while in your sworn report of conditions for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real-estate mortgages, although about the same amount was then held.

Again, on March 12, 1900, Deputy Comptroller Kane wrote the bank as follows:

The examiner reports 63 loans, amounting to \$282,405.65, secured by real estate mortgages. It appears that these loans are made upon notes discounted for the makers on the security of other notes running to such makers, which latter notes are secured by real estate mortgages, and that the bank accepts these mortgage notes and mortgages as collateral to the notes discounted.

While it is true, as stated by the bank, in reply to a former letter of this office in regard to such loans, that none of the collateral notes or mortgages in question run to the bank, it appears to be likewise true that the only security involved in any of these transactions is the real estate mortgaged to secure the note taken as collateral to the note discounted, as it is not assumed that the bank would have discounted any of these borrowers' notes on the strength of the makers of such notes alone without indorsement or other security, or on the strength of the makers of the collateral notes without the real estate mortgages behind them.

These loans are therefore made in contravention of section 5137, United States Revised Statutes, which prohibits a national bank from taking real estate mortgages as security for loans except "such as shall be mortgaged to it in good faith by way of security for debts previously contracted," and the practice of making such mortgage loans should be discontinued.

On October 17, 1900, Deputy Comptroller Kane again wrote the bank as follows:

At the time of the previous examination, February 23, 1900, loans secured by real estate mortgages were reported amounting to \$232,405.65, to which your attention was called in office letter of March 12, 1900, as being made in contravention of section 5137, United States Revised Statutes. The examiner now reports loans of the same character amounting to \$435,904.04. Your attention is again invited to the section above named, which provides that the only purpose for which a national bank may lawfully take a mortgage on real estate is "by way of security for debts previously contracted." As the mortgages referred to do not appear to have been taken for this purpose, the notes should be disposed of or other security obtained.

That the practice of making dummy loans or using the bank's clerks as "dummies" extended back as far as 1901, is suggested by Deputy Comptroller Kane's letter to the bank of May 9, 1901, in which he says:

The examiner states that loans secured by real estate amounted to about \$400,000, the security for the greater portion running to employees of the bank. This amount is slightly below the amount reported at the time of the previous examination, but greatly in excess of the amount stated in your letter of October 23, 1900. The loan to ——— which you stated was secured by stocks, et cetera, is now reported to be secured by deed of trust and assigned mortgages; and must therefore be included with the loans secured by real estate. Your attention is again called to the provisions of section 5137, United States Revised Statutes, in connection with these loans.

The criticism of its irregular and evasive real estate loans was continued through a long period of years.

On December 8, 1905, the bank admitted its loans secured by real estate security, saying:

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

On June 25, 1908, the Riggs National Bank wrote to the comptroller as follows:

As to the loans secured by real estate notes we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

But the business kept right on.

In June, 1908, the bank was criticized by Examiner Reeves for real estate loans and stocks unlawfully held.

In May, 1909, Examiner Reeves again called attention to the bank's irregular real estate and stock-brokerage business.

In May, 1913, Examiner Hann reported that the bank was carrying \$23,447 of securities and real estate loans improperly as cash, including in the cash a \$5,000 real estate loan for President Glover, which was taken out during the course of the examination.

The real estate business of the bank has already been explained to your committee by Mr. Jesse Adkins in his testimony, pages 333-334 and elsewhere, to which I beg to refer you for further details.

Mr. Hogan in his recent testimony before the committee says that there were no excess loans in the Riggs bank from May, 1906, to May, 1914; and he also says that "None of them resulted in any losses at the time when the law only permitted 10 per cent of the capital; none of them were ever excess loans after June, 1906."

I ask your attention to the fact shown in my letter to your committee of August 12 that one of the Riggs bank loans which had been criticized seven times as excess entailed upon the bank a loss of \$29,468. For 10 years the bank was continuously criticized for its irregular and unlawful loans, which it persisted in making in utter defiance of the admonitions of the comptroller's office and the remonstrances of examiners. These loans aggregated at times more than \$2,000,000, or two or three times as much as the entire capital stock of the bank. For particulars as to these loans I respectfully refer you to pages 743 to 766 of the printed hearings. In the list were large individual loans criticized by the comptroller's office as often as 16 different times, but which were continued by the bank in disregard of all warnings.

Mr. Hogan, in defense of his friend the publicity agent of the Riggs Bank, Mr. G. G. Hill, claims that the latter was not discharged by the Tribune for his untrue articles regarding the United States Trust Co. episode, and in support of his claim submits a recent letter from a gentleman who says he was a former assistant editor of the Tribune, claiming that those malicious articles were not the cause of the severance of Mr. Hill's relations with the Tribune; but it is noteworthy that Mr. Hill has up to this time submitted no word of commendation or approval from his former employer, the New York Tribune.

Mr. Hogan's statements before your committee relative to national-bank failures are also untrue and misleading.

In his statement before your committee on the 5th instant Mr. Hogan said:

In the first four years of Mr. Williams's administration there were 58 receivers, an average of a little less than 15 per year. In other words, taking Comptroller Williams's own standard to judge his administration by, we find that without the help of war inflation the national banks were failing on an average of nearly 50 per cent more per year than the theretofore established average.

Like most of Mr. Hogan's testimony before this committee, that statement is not only misleading and disingenuous but is again deliberately false, as the records prove.

During the "first four years" of my administration as Comptroller of the Currency, from February, 1914, to February, 1918 (embracing three and one-half years of the European war, years which Mr. Hogan, in his absurd and misleading statement, refers to as "fairly normal" years) 44 national banks—not 58—were placed in the hands of receivers. But of these 10 were subsequently restored to solvency and 19 have paid or expected to pay depositors 100 cents on the dollar, leaving for these four years only 15 failed national banks from which depositors will suffer loss.

National-bank failures during the first few years of President Wilson's first administration were more frequent than they otherwise would have been because of the fact that quite a number of the banks failing in those years were in a crippled or failing condition during

the preceding administration but were tided along in an insolvent or shaky condition until, under the present administration, they were placed in the hands of receivers for the protection of creditors and to prevent further losses.

Under the preceding administration, from March, 1909, to March, 1913, four really "normal years," but when some banks in failing condition were allowed to keep going, 26 national banks were placed in receivers' hands, of which 4 were restored to solvency and 4 additional subsequently paid depositors 100 per cent, leaving 18 banks from which depositors suffered losses, as compared with 15 such banks during the first four years of my administration, the latter embracing three and one-half years of the most gigantic strain and stress which the world has ever seen, two and a half of which years Mr. Hogan, in his misleading statement, refers to as "fairly normal" years.

I beg leave to invite your special attention to the following extract dealing with this particular subject from my communication to your committee of August 26, 1919, covering as to bank failures the period succeeding the close of the first four years of my administration:

Since January 1, 1918, covering approximately 10 months of the strain and shock of war and 10 months of the trials of the reconstruction period, there have been two national-bank failures in the entire United States—an average of one failure each 10 months. In the 25-year period prior to the present administration the failure of national banks averaged about 18 per annum, or, say, 1 every 20 days.

Not only have there been fewer national-bank failures than ever before in the history of the national-bank system, but the records show that of the national banks which have failed during the administration of the present Comptroller of the Currency approximately 60 per cent have either been restored to solvency, have paid their depositors 100 cents on the dollar, or are expecting to do so, whereas in the nearly 50 years prior to the incumbency of the present comptroller only about 35 per cent of the failed banks paid their depositors in full.

In answer to Mr. Hogan's lame denials as to the fraudulent operations of Mr. H. H. Flather in connection with orders for purchase and sale of securities for customers of the Riggs Bank, it is probably sufficient to direct your attention to the following extract from the testimony given before your committee on July 18, 1919, by United States District Attorney Laskey:

The CHAIRMAN. On the part of the officers?

Mr. LASKEY. Yes, sir. And I was led to that conclusion by the fact that these officers must have had an object in stating that Riggs National Bank had not bought stocks or sold stocks through Lewis Johnson & Co. If I may be permitted to say, it has been stated—I read last night in Mr. Hogan's testimony—that for the convenience of Lewis Johnson & Co. there was an account carried on the books in the name of the Riggs National Bank. The transactions purporting to be upon that stock ledger were bona fide transactions with the Riggs National Bank, and with no one else, because the order was received by Lewis Johnson & Co. from the Riggs National Bank upon the day of a purchase. At the close of the day they reported to the Riggs National Bank, "We have bought for your order," specifying the stock and the price, and received credit upon its bank book with the Riggs National Bank for the amount of the purchase. And when there were stocks sold, the facts were the reverse. Of course, Lewis Johnson & Co. would notify the Riggs Bank that they had sold stock for their order and their account and their risk. When they received the shares of stock so sold they would transmit a check.

The CHAIRMAN. All that is a matter of record, is it not?

Mr. LASKEY. Oh, yes; it is all a matter of record. I said that these officers must have known that these were transactions of the bank, and that they had an

object to conceal the fact that the bank had so dealt in stocks, which, to my mind, was evidenced by the fact that some of the officers made a profit out of those transactions.

Senator GRONNA. Were you convinced, Mr. Lasky, that the officers individually made a profit out of it?

Mr. LASKY. Yes, sir.

Senator GRONNA. It has been stated, if I am not mistaken, that all these profits ultimately went back to the bank. Did you go into that phase of it?

Mr. LASKY. Yes, sir. For years they had what they called a "commission account," and the bank charged a commission for every sale or every purchase, and into that commission account went those commissions. Afterwards, when they transferred from the commission account to the Glover-Flather account, those commissions were made to that account. There was a transaction in 1911 in which the bank ordered the purchase of 140 shares of stock. It was bought on that day, and the bank was notified of the purchase. A few days later 30 shares of the stock were allotted to a gentleman whose name I do not recall. The other 110 shares of stock remained with Lewis Johnson & Co., and they were sold some 8 or 10 days after that at a profit of \$705. That profit was turned into the Glover & Flather account.

One of the officers of the bank, H. H. Flather, would make a profit for himself out of the transactions of the bank. For instance, if a customer of the bank ordered the purchase of a given number of shares, say 10 or 100 shares of stock of a particular corporation, that order was sent to Lewis Johnson & Co. If that stock went up the same day, there was a selling order put in to close out that purchase, and another purchase was made, the customer was given the second purchase, and the profit derived from the first was paid to Mr. H. H. Flather.

The CHAIRMAN. What is your authority for that statement?

Mr. LASKY. The evidence in the case.

The CHAIRMAN. Did the court so find? That is a conclusion you drew from the evidence?

Mr. LASKY. That was the proof in the case.

The CHAIRMAN. That is a conclusion you drew from the testimony in the case?

Mr. LASKY. It is a fact established by the evidence in the case.

And in connection with Mr. H. H. Flather's operations I also ask your attention to the following remarks by Mr. Untermyer on the subject:

I said to Mr. Cromwell, as I stated, that the bank had been operating this stock-brokerage business with the assets of the depositors and its cashier had been plainly guilty of dishonesty; that the whole thing was scandalous and a pernicious example, more pernicious because it had succeeded than if the bank had failed as a result of the speculation of its officers.

The CHAIRMAN. Who was cashier at that time?

Mr. UNTERMYER. Mr. H. H. Flather was cashier. Mr. Hogan states somewhere in his testimony that it was because of some statement I made in open court concerning the operations of the bank that he felt it necessary to present this affidavit. I think he overlooked the fact that we had previously presented an affidavit of a man named Bennet—which is in the record, and I assume that the record is before you. We picked out hurriedly a number of transactions of Mr. H. H. Flather in which he had pocketed the money of his customer. For instance, he was the cashier, and the orders for the stock purchases would come to his desk. There were transactions such as this:

A customer would, we will say, instruct the bank to sell a hundred shares of Union Pacific short. If within an hour or two after that, Union Pacific went down, Mr. Flather would settle on his own account for that transaction and take the profit, either in cash or in a check, and then he would buy the customer's stock at the larger price, so that the customer would not get all the profit.

The CHAIRMAN. There were two Messrs. Flather?

Mr. UNTERMYER. Mr. H. H. Flather.

The CHAIRMAN. Is that the Flather who afterwards resigned?

Mr. UNTERMYER. That is the Flather who resigned when the indictment was handed down, and it was eminently necessary that he should resign. That sort of thing had been going on for a long time. I do not believe the other officers of the bank knew anything about those transactions. There was no evidence

that they knew it. It only goes to show the perils of allowing a bank to run this kind of a business, no matter how much money it makes out of it. I have no doubt that the national banks of this country could make fortunes if they could all turn themselves into stock brokerage, real estate brokerage, grain brokerage, produce brokerage houses, and finance everybody who they thought was responsible with proper margins in those businesses. I think they could make great fortunes if they had good judgment.

Senator HENDERSON. In the illustration you have just given, do you hold the bank responsible for the act of Mr. Flather, when none of the officials as you say knew about it?

Mr. UNTERMEYER. In a sense, yes; because it had gone on for a long period of years; and because of this fact, that every time a transaction was made in stocks through the Riggs Bank, a memorandum of the sale or purchase, a memorandum slip from the brokerage house would come to the bank, and a statement of the purchase or sale, or whatever it might be, would come to the bank, and the transaction would be billed to the Riggs Bank. These transactions were conducted upon the credit of the Riggs Bank.

It seems to me the officers must have been very blind or derelict in duty if in the course of time they failed to learn of what was going on. As I have said, I do not think they did. But a man could become president of a bank, go off to Europe, and spend a few years, and come back and say "I am not responsible for the management of this bank, although I loaned it my name and my prestige, and people dealt with the bank on the faith of them. But I was away and I did not know it." I think they were bound to know it.

Senator FLETCHER. The evidence shows they had a private wire to the cashier's desk from a brokerage office. The bank officers must have known that.

As against the foregoing statements I ask your attention to Mr. Hogan's pretended bland and child-like expressions of confidence in his client, Mr. Flather, of whom he says in his testimony before your committee, in referring to the thoroughly proven fraudulent transactions, extending through several years, under the very eyes of other officials of the bank, assisted by the private wires running to Flather's desk in the bank:

It was perfectly inconceivable and unbelievable; the whole thing never amounted to more than a pittance. * * * It was utterly inconceivable that Mr. Flather was not telling the truth when he denied it.

The particular circumstances under which the affidavit of the bank officials, denying that the Riggs National Bank had ever bought or sold stocks, was filed, gave abundant ground for the suspicion that it was filed for the purpose of deceiving the court. The record in the equity case, page 360, shows that Mr. Untermeyer had said to the court, on May 19:

The plaintiff says that it was conducting this business in the names of its officers and that it was donating these commissions to the bank. Those are not the facts as the record now shows. The record shows that the active trader was the Riggs National Bank and that the account on the books of Lewis Johnson & Co. was an account with the Riggs National Bank and even to the extent of short sales * * *.

The COURT. You say that on the books of Lewis Johnson & Co. the bank appeared as a customer?

Mr. UNTERMEYER. Yes, your honor. We say there are about 150 pages of these accounts, of which we have only a part here, transactions every day, numerous transactions, wire connection, telephone connection, direct telephone communication between the desk of Mr. Henry H. Flather and Lewis Johnson's firm, and repeated transactions in the course of a day. Really, I think it is a moderate statement to say that this was simply a stock brokerage shop inside of a bank; and whilst I am carefully avoiding characterizing these transactions, I think that sort of business speaks for itself, and the amount of money that may be made on it is immaterial. To say that it is done for the convenience of customers is not accurate. It is a specious argument, because the accounts show, the record here shows, that it is not done for the account of the customers; it is

done for the account of outsiders. And, as I have stated to your honor, \$3,600,000 of these loans in the bank are margined loans on stock operations of people who were not customers of the bank except to the extent of \$24,000 of accounts altogether. So that the bulk of that vast amount of loans carried by the bank are loans carried by the firm of Flather & Flather on account of stock speculations, of stock transactions for people who could not have been customers of the bank. But whether they are customers of the bank or whether they are not, they ought no more to conduct stock speculations through the bank and on its books than they ought to buy their groceries or their dry goods or make their bets on the races through the bank.

As evidencing still further the legitimacy and the importance of the demands contained in the letter of January 22, 1915, the refusal to comply with which is the basis of the assessment of the only penalty that is here under consideration, your honor will observe that there might have been many hidden accounts of these officers that they did not disclose; there might have been many accounts dumped into that account of Flather & Flather, or losses charged off, that appertained to transactions of officers done under the cover of dummy names. I say there might have been. There was no way of discovering that, and there is and will be no way of discovering it until we know, until the Comptroller can get at those transactions that were so conducted, and get at them under the oaths of the officers of this bank, through the call that he made upon them, with which they have persistently refused to comply.

As illustrating the difficulty of dealing with a transaction of this kind without the fullest opportunity on the part of the comptroller of inquiring into it, you have a transaction, among others, as follows: It seems that in the Richardson loan there was a large amount of this Capital Traction stock. It appears from the papers that Mr. Glover, when the stock was selling at about \$145 or \$150, had the foresight to dispose of his stock, or of 600 shares of it, anyway, and at that very substantial sum. He did not deliver his stock, but he delivered the stock that was in the Richardson loan, and put his stock in the Richardson loan, and so it appeared that he was till the owner of the stock, when he had, in fact, disposed of it; and his prestige in the company continued to be based partly on the fact that he was the continuous owner of that stock, when, in fact, he was not. It was Richardson's stock. If that stock had been disposed of out of the Richardson loan, they would not have had to charge off \$20,000 of the Richardson loan into the Flather & Flather account. And so you get from illustrations of this kind some faint conception of the irregularities that may be practiced by the officers of the bank through this form of juggling with the securities in these loans. All those are matters that came under the observation of the comptroller, and that may have and rightly should have to some extent influenced his action.

The following day Mr. Bailey, counsel for the bank, introduced the affidavit signed by the bank officials, C. C. Glover, W. J. Flather, and H. H. Flather, at the instance of Mr. Hogan, and in doing so informed the court that this affidavit showed that these officers "never authorized any such transactions as are there reported." (Page 177, equity case.)

Mr. Hogan subsequently claimed that he had been "misfortunate" in the "phraseology" used by him in framing the affidavit. The indictment for willful and corrupt perjury followed and upon trial, after Mr. Hogan had taken the stand and had stated that the affidavit had been signed by the bank's officials on his advice as counsel, the officials were acquitted.

After there had been put in evidence at the equity trial documents proving that the Riggs National Bank for a number of years had been acting as brokers in the purchases and sales of stocks; that the orders had been given in the name of the Riggs National Bank; that notices of transactions had been sent to the Riggs National Bank; that checks for proceeds had been given to the Riggs National Bank and all settlements made in the name of the Riggs National Bank, when the Riggs attorneys saw that the affidavit had

failed they then and only then dropped the contention to which they had so tenaciously clung up to the time of the filing of that affidavit, to wit, that the Riggs National Bank had never had any such transactions but that they had all been made in the name of and by "its officers," and thereupon they took the position that they no longer denied that the Riggs Bank was conducting those stock operations, but they claimed that the affidavit intended to say not that the Riggs Bank was not acting as broker but that the Riggs National Bank was not buying and selling stocks for itself on its own account. It was upon that strained interpretation of the affidavit that they sought exculpation at the perjury trial.

The testimony of the bank officials during the investigations of this office has been extremely contradictory; exhibits have been inserted in the record showing that the bank advertised distinctly that it bought and sold bonds and stocks, and the bank's letter to the comptroller's office in October, 1913, also admitted that this business was being done by the bank for its customers, but, when under the present comptrollership the examiner's investigation followed, the bank officials first claimed that the bank was not doing the brokerage business but that only the officers of the bank were doing it on their individual accounts and that they had received the commissions personally and had paid income taxes upon them.

In referring to the testimony of Mr. Jesse C. Adkins, who appeared before this committee and showed how the funds and credit of the Riggs National Bank were used in the stock transactions carried on with Lewis Johnson & Co., Mr. Hogan stated that the credit of the bank could not have been used because dealing in stocks was ultra vires the powers of a national bank, and therefore no one could have held the Riggs National Bank. Whether or not the Riggs National Bank could have been held if a dispute had arisen is beside the point. As a matter of fact, the funds and credit of the bank were used when stock was purchased by the bank or its officers through Lewis Johnson & Co.

It has been proven that large sums of money belonging to the bank were used in carrying the stocks purchased by the bank for its customers and for the bank's officials. As an illustration of this, attention is called to the report of Examiner Reeves, October 15, 1913, wherein it is stated that the bank at that time was carrying, improperly in its cash, some hundreds of shares of speculative stocks purchased for different customers aggregating \$55,572.86, including 200 shares of American Can stock, \$6,562, carried for President Glover. This means that the bank had over \$55,000 of its money at that very time unlawfully locked up in these speculative stocks (for which the customers had neither given checks nor notes), in addition to millions of dollars which it was lending to various customers on miscellaneous securities, largely bought by the bank, and as the records show the great bulk of these loans were made to parties who practically had no deposit balances whatsoever with the bank, and, in a number of instances, were overdrawn.

Mr. Hogan introduces extracts from the testimony given in the perjury trial to show that the other national banks in the District had accounts with the firm of Lewis Johnson & Co. His statements are disingenuous and misleading and fully answered in my letter ad-

dressed to this committee on August 30, in which I embodied a letter from Examiner Trimble which completely answers Mr. Hogan's misstatements in this connection, and I ask special attention to the following extract from that letter of Bank Examiner Trimble to which I referred:

Some of the other national banks in this city would occasionally transmit orders for their customers for the purchase or sale of stocks or bonds; and in the case of purchases the funds for the purchase would generally be provided by the customer in advance of the purchase. In the case of sale, the stock would be delivered to the bank by the customer with instructions to have the same sold and credit the entire proceeds to his account; but no other national bank in the District, as far as I have been able to discover, ever carried on the stock business in the irregular and unlawful manner so long followed by the Riggs National Bank, nor did they openly or secretly conduct such a business.

Besides the active use of the bank's funds and credit in these stock transactions, attention is called to the several speculative accounts which were also carried with Lewis Johnson & Co. by several of the bank's officers. The cashier of the bank in addition to a speculative account in his own name, in order, apparently more effectually to conceal his operations, carried an account with the same firm in the fictitious name of "Henry Hepburn." This is possibly also one of the incidents which Mr. Hogan shrank from having made public.

When these stocks were delivered by Lewis Johnson & Co. at the teller's window of the bank, Lewis Johnson & Co. would receive immediate credit on their pass book and the bank would place the amount of the purchase price to the credit of Lewis Johnson & Co. on its individual deposit ledgers and the stocks were in many cases then placed in the cash drawer as an offset to the amount that had been credited to Lewis Johnson & Co. and remained in the cash drawer of the bank as an asset of the bank, until subsequently taken out either by checks of customers of the bank or until payment was provided for by the execution of notes by customers in sufficient amounts to pay for the stocks. Instances were shown where these stocks, the purchase price of which had been credited to Lewis Johnson & Co. on the books of the bank were carried as cash items in the cash drawer of the bank for many days and in some instances for weeks at a time.

Concerning the stock brokerage business done by the bank, Mr. Untermeyer in his testimony before your committee on July 28, said:

* * * It was a business with which a national bank had no right to be concerned.

The testimony continued:

Senator PAGE. No losses ever grew out of this class of transaction, I believe you tell me?

Mr. UNTERMEYER. I do not know as to that. I think there were small losses. But that did not seem to me to affect the question at all because if one national bank could be a brokerage shop and have the good management to make no losses, why could not other national banks run brokerage shops with less judgment and less ability, and wreck the bank?

Senator PAGE. I was simply thinking about the final results of the whole transaction.

Mr. UNTERMEYER. Of course, I look back of the results. I am looking at the principle of the thing. It was essentially and fundamentally wrong in principle. But I felt that these men had drifted into it, at a time when the ethical financial standards were every different from what they became in later years.

The CHAIRMAN. Other banks in Washington were doing the same thing in a smaller way?

Mr. UNTERMYER. I had never heard of it. I do not know of any bank in New York—much as has been said against high finance in New York, and much as may be justly said against it—that ran a brokerage shop with the officers of the bank, financed with the funds of depositors of a national bank. I think Mr. Williams performed a high public service when he stopped that sort of thing.

I shall now submit proof of the complete falsity of statements made before your committee on September 5 by Mr. Hogan when he claimed that certain purchase and sales slips and notices relating to stock transaction between the bank and the firm of Lewis Johnson & Co. had been fully preserved and never destroyed, despite the testimony previously given by Vice President Flather that they had been "thrown away."

Mr. Hogan, in his testimony on September 5 before your committee, in referring to my letter to the committee dated August 12, said:

I am going to read to you, in italics, on page 13—listen to this—August 12, 1919:

"Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank."

Senators, first, those papers were not destroyed; second, John Skelton Williams knew they were not destroyed; third, those papers—I produce here one bundle of them—were produced in court by the officers of the bank when they were on trial for perjury, and in open court, day after day, when the district attorney called for any one of those advices from Lewis Johnson & Co. addressed to the Riggs National Bank, showing transactions in stock, I produced the advices and handed them to the district attorney and the newspapers commented on the fact that it appeared at times that Mr. Hogan was assisting the district attorney, so promptly were the papers furnished.

Senator HENDERSON. Are those papers referred to in that statement just read, Mr. HOGAN. Yes; precisely; not only—Senator Henderson, that statement which he makes now—not only were they produced in court, but Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank, every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with a number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction. Mr. Trimble, reporting daily to the comptroller, spending months with his officials going over every one of these papers, not only found them—may I show you, Senator Henderson, the little mark on them, those little marks on there. The green marks are put on there by one of the bank examiners, not by us.

But he knew they were not destroyed; that they were not only not destroyed, but every one of them was found in the cellar of the bank, where they had been piled up. They run back several years.

Senator HENDERSON. As I understand it, he claims certain records were destroyed, and that you have produced these to show they were not?

Mr. HOGAN. Yes.

Senator HENDERSON. Were any records at all destroyed?

Mr. HOGAN. None. Put that as strong as you can. Borrow Williams's italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—none.

In reply to these statements of Mr. Hogan, I desire to call the attention of the committee to the transcript of the record of what

has been referred to as the "perjury case" against certain officials of the Riggs National Bank—pages 1062, 1063, and 1065, showing the cross-examination by Mr. Hogan, attorney for the defendants, of Witness James Trimble, national-bank examiner.

Mr. HOGAN. I see. When you found these advices and bills they were down in the cellar, were they not?

Mr. TRIMBLE. Yes; down in the basement.

Mr. HOGAN. You found very few advices for the year 1912?

Mr. TRIMBLE. At that time I did not assort them as to years.

Mr. HOGAN. But, as a matter of fact, is it not true that you found very few advices at any time after the year 1912, either at that time or any other time while you were in the bank?

Mr. TRIMBLE. We found quite a number, but I could not say as to how many.

Mr. HOGAN. You do not remember that you found very few as to 1912?

Mr. TRIMBLE. No, sir; I could not say that.

Mr. HOGAN. You do not remember that you found none as to 1913?

Mr. TRIMBLE. I think we did find some.

Mr. HOGAN. Advices of 1913?

Mr. TRIMBLE. I can not distinguish between advices and bills from memory.

Mr. HOGAN. Then you do not know the fact to be now that you did not find any advices for 1913 and very few for 1912, whereas you found a good many of them for 1910 and 1911? What do you say as to that fact?

Mr. TRIMBLE. Will you state that again?

Mr. HOGAN. Is it not a fact that you found no advices for 1913 and very few for 1912, but quite a large number for 1910 and 1911? I am talking about advices now.

Mr. TRIMBLE. I would not distinguish from memory as to what were advices and what were bills on the table at the time I made the discovery of those advices and bills.

* * * * *

Mr. HOGAN. You endeavored, did you not, to trace down each one of the transactions that you found on the accounts of Lewis Johnson & Co. in the name of the Riggs National Bank?

Mr. TRIMBLE. We endeavored to trace them from their inception to the end.

Mr. HOGAN. In the doing of that is it not a fact that there were a large number of cases where you did not find any advices in the bank?

Mr. TRIMBLE. Yes; there were a good many cases where we did not find advices.

Mr. HOGAN. And there were a great many cases also where you did not find bills?

Mr. TRIMBLE. Yes; there were a good many.

I also refer to the same record—pages 698 and 699—in the examination by Mr. Hogan of Edwin D. Flather, an employee of the Riggs Bank and brother of Cashier Flather.

Mr. HOGAN. There are a great many advice slips, particularly in the years 1912 and 1913—and by "advice slips" I mean these advices from Lewis Johnson & Co.—in which Lewis Johnson & Co. says, "We have this day for your account and risk bought or sold the stock, Lewis Johnson & Co." A great many of them are missing. I will ask you if it was not a fact, during the last several years, before this business was abandoned, 1912 and 1913 particularly, that those were put on a spindle under the desk?

Mr. FLATHER. It was.

Mr. HOGAN. And to keep them there until the transaction was closed?

Mr. FLATHER. That is quite right.

Mr. HOGAN. And then they were thrown away?

Mr. FLATHER. They were.

Mr. HOGAN. These were used also as a memorandum of the transaction while it was an open transaction?

Mr. FLATHER. Just a memorandum of the transaction.

Mr. ARCHER. Is that the transfer slip you refer to, Mr. Hogan?

Mr. HOGAN. No, sir; the advice slip. That is, whoever happened to be at your counter would keep them there in the last few years, for which time they are all apparently missing, or most of them. They were kept on a spindle?

Mr. FLATHER. Yes, sir.

Mr. HOGAN. And then from time to time the spindle was emptied and they were thrown away?

Mr. FLATHER. Just as it filled up I would throw them away.

Mr. HOGAN. By a "spindle" you mean one of these wire files?

Mr. FLATHER. A wire file; yes, sir.

* * * * *

I also refer you to the same record—pages 814, 815, 840, and 524 and 525, covering the examination by Mr. Archer of W. Morris Lammond, a witness for the United States.

Questions by Mr. Archer, assistant United States attorney.

Answers by Mr. W. Morris Lammond, a witness for the United States.

Mr. ARCHER. I ask you for the advice under date of January 29, 1915, and the bill for 200 shares.

Mr. HOGAN. No. 1913. Is it not?

Mr. ARCHER. Yes.

Mr. HOGAN. No advice.

* * * * *

Mr. ARCHER. I want now the advice to the bank of July 22, 1913.

Mr. HOGAN. We have no such paper.

* * * * *

Mr. ARCHER. Referring to Exhibit W, Nos. 1, 2, 3, 4, and 5, I ask the witness if those papers are produced from the files of Lewis Johnson & Co. under subpoena?

Mr. LAMMOND. Yes; they were.

Mr. ARCHER. I ask that these be marked.

Mr. ARCHER. I ask the witness to refer to the ledger account before him under date of June 16, 1913, and say if there is a reference to 100 steel and 100 steel on the purchase side of the account?

Mr. LAMMOND. Yes, sir; there is.

Mr. ARCHER. Read it.

Mr. LAMMOND. 1913, June 16, bought 100 steel at 53, \$5,312.50; 100 steel at 53½, \$5,400.

Mr. ARCHER. I ask for the advice under date of—

Mr. HOGAN. We proved, Mr. Archer, that 1912 and 1913 advices were not kept.

To summarize, Mr. Hogan said in the examination on September 5, in his testimony before your committee, when asked by Senator Henderson "Were any records at all destroyed?"

Mr. HOGAN. None; put that as strong as you can. Borrow Williams's italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—none.

He further said: "Every one of them were found in the cellar of the bank where they had been piled up." And again: "Every one of them were for months in the hands of the comptroller through his national-bank examiner working up this perjury case."

On May 18, 1916, Mr. Hogan, in the perjury case, when requested by Mr. Archer to furnish one of the advices referred to, said: "We proved, Mr. Archer, that 1912 and 1913 advices were not kept."

And on May 16, 1916, in the same case, Mr. Archer, in addressing M. Hogan, said: "I want the advice to the bank on July 22, 1913."

Mr. Hogan replied: "We have no such paper."

Mr. Archer said: "I understand your answer is that you have not that paper."

Mr. Hogan replied: "That is what I said; yes."

On September 5, 1919, Mr. Hogan, in testifying before your committee, in referring to all of these advices, said:

Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with a number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction. Mr. Trimble, reporting daily to the comptroller, spending months with his officials going over every one of these papers, not only found them—may I show you, Senator Henderson, the little mark on them, those little marks on there; the green marks are put on there by one of the bank examiners, not by us."

On May 18, 1916, in the trial of the perjury case, the following colloquy took place between Mr. Archer and Mr. Hogan:

Mr. ARCHER. Gentlemen, have you the advice of September 28 and bill?

Mr. HOGAN. Which one did you want now?

Mr. ARCHER. The advice and bill.

Mr. HOGAN. For how many shares?

Mr. ARCHER. For 100.

Mr. HOGAN. At what price.

Mr. ARCHER. At 57½.

Mr. HOGAN. Here it is.

Mr. ARCHER. I ask that that be marked for identification Exhibit X, No. 6. Now, the bill, Mr. Hogan.

Mr. HOGAN. Do you want the handwriting on that?

Mr. ARCHER. Yes; if there is some, except the green pencil.

Mr. HOGAN. Oh, yes. Those are just my numbers, numbered for my guidance.

Mr. Hogan, in his testimony on September 5, states that while Mr. W. J. Flather, testifying from memory, stated that some of the papers mentioned were destroyed after being placed on a spindle, that they were subsequently found, and "every one of them were for months in the hands of the comptroller through his national bank examiner working up the perjury case;" and yet it appears from Mr. Hogan's own statements in his conduct of the trial of the perjury case that the said papers for 1912 and 1913 were not kept, and that certain designated papers called for by the United States in that trial could not be produced. Mr. Hogan stating, "We have no such papers," as shown by the above citations from the record.

The statements of Attorney Hogan, in May, 1916, are submitted and relied upon as a complete denial and contradiction of witness Hogan in September, 1919.

Your attention is called to the fact that Attorney Hogan claims that all of the purchase and sales slips and notices which he stated before your committee were still intact and not destroyed, were the same notices which he told you he presented in court during the perjury trial, at which time, however, as shown from the above examination of Messrs. Trimble, Flather, and Lanmond, he—Hogan—specifically, clearly and unequivocally informed the court and the jury that the notices covering a considerable period had not been kept—had been "thrown away" and were "missing"—and that for that reason he was unable to present them to the jury.

You will also note that the "green marks" which Attorney Hogan on May 18, 1916, stated were put upon the notices by him for his guidance, are the same green marks which witness Hogan, on September 5, informed your committee had been put upon these notices by Bank Examiner Trimble to identify them.

Mr. Hogan's statements to your committee on this subject are, therefore, a direct contradiction, without an alteration in existing facts, of the statements which he made before the jury in May, 1916, in endeavoring to secure the acquittal of the three bank officers who had been indicted for corrupt perjury for signing the affidavit prepared for them by their attorney, Mr. Hogan.

Oh, what a tangled web we weave,
When first we practice to deceive.

At the February hearings Senator Weeks asked if the large increase which has taken place in the deposits of the Riggs Bank since the time of the investigation by this office in 1914 wouldn't "indicate that the public in Washington, notwithstanding all that had taken place in the courts and all the publicity that has been given to this case, had implicit confidence in the officers of the bank?"

My reply was:

I think that it indicates that the public who have money to deposit realize that the Riggs National Bank and other banks have been closely watched and closely scrutinized, and they feel that with the experience of the past and the promises which have been made to this office, which were made public at that time—and, in fact, were given a good deal of publicity—will probably make that bank safer than it ever was before—a safer place for deposits. I will also add that information has come to me, indirectly usually, that the directors of the Riggs National Bank, or at least some of the directors of the Riggs National Bank, feel deeply gratified over the good that was done that bank by the Comptroller of the Currency in clearing up the speculative elements and irregular transactions, which they were required to abolish, taking out private wires and stock speculations, and things of that sort; and they realized that they were making a mistake in those times, and are probably making more money now by obeying the law than they did before in disregarding the law. And Examiner Trimble, who has made several examinations of that bank and who has been thrown in contact with its officers and directors, has expressed himself to me to that effect, as reflecting the views given to him by the officers with whom he has come in contact.

Senator HENDERSON. Your action, then, Mr. Williams, instead of injuring the bank, has helped it?

Mr. WILLIAMS. I am not certain that it has not saved the bank, Senator.

Senator WEEKS. Do you think they were gratified at the expenditure of \$100,000?

Mr. WILLIAMS. I think they have made a great deal more than \$100,000, which they claim to have spent in connection with that litigation, by the removal of elements of danger which were heading them in the wrong direction.

* * * * *

SENATOR WEEKS. Was there any loss on account of the loans made by officers or employees of the bank?

Mr. WILLIAMS. Oh, I don't recall as to whether—yes; I will say there was an atmosphere of speculation in the bank at that time which was exceedingly unhealthy. At a previous hearing reference has been made to one case where a note teller, I believe, embezzled fifty or sixty thousand dollars of the bank's money. I presume he felt that as the officers of the bank were speculating, that the president of the bank was buying and selling stocks, and the vice president was buying and selling stocks, and others, that he could speculate also. The result was that there was an embezzlement; in fact, I think there had been two embezzlements in that bank from time to time in the past. But that was, as I say, I think, the example of having officers of the bank engaged in stock speculation, which was an exceedingly unhealthy one for the bank.

I think that I was abundantly justified in making the statement which I made to the Senate committee at that time, when I said:

I feel that the best thing that ever happened to the Riggs National Bank was the requirements which were made by this office that those practices should entirely cease.

I now beg leave to present for your consideration official figures which are offered for corroboration of the view that I expressed at that time. In my letter to your committee of July 29, 1919, printed on page 730 of these hearings, I showed that for the 10-year period from June, 1904, to June, 1914, "resources of the Riggs National Bank only increased from \$12,699,000 to \$15,066,000, an increase of only 18.64 per cent."

In my letter to your committee of August 1, 1919, I showed you that the total resources of all the other banks in the District of Columbia had increased in the same 10-year period 114.07 per cent.

In my letter of July 29, 1919, I also showed you that for the five-year period from June 30, 1914, to May 12, 1919, the resources of all the national banks in the United States increased from \$11,482,191,000 to \$20,824,991,000, or 81.37 per cent, and in that same period the resources of the Riggs National Bank, under improved conditions of management, with its unlawful operations abated, had increased from \$15,067,000 to \$27,616,000, an increase of 83.29 per cent.

This record means that for the 10-year period from 1904 to 1914, while the bank was operating in violation of law and in disregard of the requirements of the comptroller's office; while the activities of its officers were largely devoted to stock-market and real estate operations, the percentage of increase in resources shown by the Riggs National Bank was less than one-sixth the percentage of increase shown by all the national banks in the District of Columbia and about one-fourth of the increase shown by all the national banks in the country for the same period. But for the five-year period from June, 1914, to May, 1919, after the unlawful, pernicious, and dangerous practices which had been in vogue before this office took hold of the situation, were stopped and the bank required to conform to the practices and requirements of sound banking, the standing of the bank was strengthened and its resources increased in the five-year period by a percentage slightly greater than the increase shown by all the national banks in the United States for the same period.

As an explanation of the slow growth of the bank in the 10-year period prior to 1914, during which the other national banks of the District had increased their resources 114 per cent, I said in my letter to you of July 29, 1919:

I stated to your committee that in my judgment the bank's slow growth prior to 1914 was due largely to the fact that the energies and activities of the bank's officers—President Glover and Vice Presidents Alles and Flather, and Cashier H. H. Flather, and of other officers and employees—were being devoted to their brokerage and speculative activities and interests, while the banking features of the institution had been neglected or sacrificed.

I also suggested that the bank's growth for the past five years was due in large part to the fact that the bank had ceased its irregular and unlawful practices and that the time and energies of its officers were being more properly devoted to the real interests of the bank.

With this record to substantiate my judgment in the premises, I again beg leave to emphasize the view heretofore expressed that if this office had not checked, at the time it did, the dangerous operations, methods, and practices which were in vogue with the Riggs National Bank prior to the summer of 1914, including the speculative activities of the bank's five principal officers, whose borrowings (largely on speculative securities) from their own and other banks

about that time aggregated not far from \$1,000,000, the effect upon the bank and its customers of the crisis which followed the outbreak of the European war might have been extremely grave. The intervention by this office at that time in requiring the bank to clean up and cease its dangerous and unlawful operations was, as I have said before, probably the best thing that ever happened for the Riggs National Bank.

The figures which I have quoted above show that the Riggs bank, in 5 years since it was cleaned up, in 1914-15, and made to obey the law and to conform to ordinary business ethics, has prospered more than four times as much as in the preceding 10 years, while it was conducting its irregular operations and acting in defiance of Treasury regulations and the national-bank act.

CONCLUSION.

Mr. Chairman and gentlemen of the committee, in closing this hearing I ask that you ignore, for the moment at least, the clouds of pettiness and more or less irrelevant detail that have been brought in and take one broad, comprehensive view of what seem to me to be the essential and vital facts. You are to report to the Senate whether, in your opinion, the Senate should confirm my appointment by the President as Comptroller of the Currency. Here are the two facts to which I respectfully ask your first attention.

First. As I showed you in my letter of the 20th instant:

Of the 85,000 executives and employees of the nearly 8,000 national banks under my supervision there have thus far appeared before the Senate committee voluntarily to make complaints or changes none.

Of the above-mentioned 85,000 officers and employees the number who have opposed my nomination before the committee in response to a summons from the committee to appear is 1.

The testimony of that one witness was proven to have been unwarranted and untrue.

Of the officers and employees of the 22,000 State banks and trust companies of the country there have appeared before the Senate committee to oppose my confirmation, in addition to the discredited State bank official who appeared at the meetings in February none.

The total number of all other adverse witnesses appearing before the committee, either voluntarily or involuntarily (exclusive of the two attorneys of the Riggs bank whose testimony as far as it implied criticism of me or my administration has been thoroughly dissected and refuted), 1.

This last witness complained of the comptroller's management of the receivership of a failed national bank. The basis of his appearance was the comptroller's refusal to give an interpretation of a certain legal agreement of the bank which the comptroller, through counsel, had requested the Federal court to construe and had declined to construe himself. As to that failed bank, it is incidentally interesting to note that, owing to the particularly efficient management of the receiver under the comptroller's supervision, it has paid all depositors in full with interest, and there has been realized sufficient assets to return to the stockholders more than the par value of their shares, although at the time of the failure of the bank the prospects were extremely gloomy.

Representative McFadden, of Pennsylvania, also president of a small national bank, under his protection as a Member of Congress, on the floor of the House, gave utterance to malicious and slanderous statements and insinuations against me. These I immediately denounced as wholly false and without a shadow or foundation, and, in a letter to him, which I gave to the press, I exposed his motives and the baselessness of his attack; I also showed he had been under severe criticism for many years past from five comptrollers and 15 examiners for unsound practices and violations of Federal laws, and I challenged him to come before the Senate committee with any complaints or charges that he might make. He has been frequently invited by this committee at my instance to come before it and present his complaints. This he has not dared to do, preferring to skulk shamelessly away.

That is the situation. Surely all of us must dismiss as absurdly impossible and scandalous the suggestion that all the national bankers of this country, representing all the important communities of all the States, are so abjectly terror stricken by me that they dare not present complaints or objections to this committee; and, in sullen silence and subservience, submit to oppression or misgovernment invading their right and endangering their interests.

Second. The official public record shows that the banks under the jurisdiction of my office are stronger, cleaner, safer, far more numerous, and far more prosperous than ever before in the history of the country. They are doing, successfully and safely, work more tremendous than ever has been done by the banking system of any country. They have endured and are enduring, without flinching or faltering, the most enormous strain, burden, and test, in the history of the world.

These facts are indisputable. I might be content to stand on them without further evidence or argument.

If I had dared to hope in 1914, when I took office, that after nearly six years of contact, among all the 25,000 national bank officials with whom I was to have official relations, frequently under mutually trying conditions, but one would appear, and he involuntarily, he says, to oppose my continuance in office, and that the nearly 8,000 banks under my supervision would report the high condition of management and safety we see now, after such stress as we have passed through, I would have thought the vision too bright to believe. Whatever the result of this hearing may be, I am humbly and deeply thankful that my administration has been blessed with such results.

The character and characteristics of the average American banker are familiar to all of us. We know him as a strong man, usually a dominant force in his community, keenly intelligent, quick to detect inefficiency anywhere, thoroughly informed of his legal and personal rights and, when there is need, aggressive in assertion and defense of them. If we could imagine these men with grievances, complaints, or criticisms against the office most intimately in contact with them and most directly touching their interests, but too timid to put them before a committee of the Senate, we can not imagine them shrinking from calling on the newspapers for aid. Yet, so far as I have seen, the criticisms of the comptroller's office in the newspapers have been rare and scattered despite the attempted propaganda. Your committee has had before it the discredited origin of

some of it. Of the hundreds of correspondents entitled to admission to the press gallery and representing hundreds of newspapers and press associations throughout the country, you have heard from three men avowedly hostile to the comptroller and his administration. One of these, as it appears in the record, was the employed publicity agent of the Riggs Bank, another an associate of the local State banker who appeared against me and author of a plan for press propaganda against me which he was to conduct secretly at \$250 per week. The obscure positions of most of the publications which have assailed me and the stereotyped sameness of the wording and substance of the articles they have printed indicate purchase or pressure too plainly for question. The newspapers representing the substance and substantial citizenship of the country have refused to participate in the propaganda, evidence of which the committee has seen in the record. It seems to me that this offers excellent evidence that the banking and business elements of the country are satisfied with the conduct of the comptroller's office. If there was dissatisfaction anywhere, we may be sure the press would have been invoked to express it.

In addition to the one national banker who appeared against me here out of 25,000 executives, there was one other, already alluded to. He made the grand total two. He vocalized complaint publicly elsewhere, but failed to materialize and sustain it here, although he was besought and challenged to come. This banker, completing the tale of two complainants of the host of 25,000 national-bank executives, is a member of the House of Representatives and chose the floor of that body from which to voice his grievances and accusations. He was safe there from cross-examination and rebuttal, and preferred to remain so. Apparently he considers that attempt to vindicate his squarely and publicly disputed veracity would be an unnecessary and frivolous occupation for his time, talents, and energy. Although I welcomed the investigation he sought in the House of Representatives, I observe that he has had no better luck with a Republican than a Democratic Committee on Rules in securing a report on a resolution for an investigation of my office and myself. I respectfully ask your attention to the following letter which I wrote him on July 14, 1919, which is as yet unanswered. The letter speaks for itself:

TREASURY DEPARTMENT.
Washington, July 14, 1919.

Hon. L. T. McFADDEN,
House of Representatives, Washington, D. C.

SIR: On February 15 last, in a public speech in the House of Representatives, part of which was published in various newspapers, you attacked my administration of the office of the Comptroller of the Currency and expressed your purpose to ask for investigation of it by a committee of the House of Representatives. You added that you had heard rumors to the effect that I had misused opportunities given me by that office for the financial advantage of myself or my friends, and that you would ask an investigation of these also. Later, on February 20, you substantially repeated these assertions and insinuations. On both occasions I challenged, invited, and defied you to urge on the investigation of which you spoke and declared my readiness and eagerness to meet it. My answer was sent to you and was received by you; parts of it were printed in the Congressional Record and the newspapers, but for reasons which are not creditable to yourself you endeavored to suppress my

letter to you of March 1 and prevent its publication in the Congressional Record when the subject was under debate on the floor of the House.

The new session of Congress, controlled by the party to which you belong, has been sitting now since May 19—nearly two months. I have not until to-day seen nor heard of any attempt by you to make good your promise or threat of investigation of the comptroller's office or of my conduct in it. I have seen you present at sittings of the Committee on Banking and Currency of the Senate, considering my reappointment and hearing the testimony of those opposing my confirmation. You evidently were a deeply interested and probably were a sorely disappointed auditor and spectator of the proceedings there.

On your responsibility as a Representative and an individual you publicly uttered false but serious accusations against the official and personal character of an officer of the Government holding a place of some importance. The person you assailed has publicly denounced your accusations as viciously false and has defied you to present any evidence which you may have on which you base them and added that you had tried to do injury to character and then skulked from the consequences of your attempt. You were further reminded that if you knew, or honestly thought you knew, of any reason why I was unfit to hold office your solemn duty as a citizen and a representative of the people was to make those facts known and cause inquiry by the proper authorities.

So far as I may judge by your acts you are content to rest from March 1 to July 14 under charges of falsehood and malicious attempt to do injury while avoiding responsibility and of neglect of your duty, making no attempt to reply to my letter to you of March 1. It included matter which, it seems to me, would require the attention of any man at all heedful of his own reputation or nice in his regard for personal honor.

You did, however, go into court in the interim between the sessions and sought to enjoin me from an investigation of your operations and your management of the bank of which you are president, and especially to prevent me from disclosing to members of Congress transactions and operations of which you may well be ashamed, and the tendency of which were and are destroying the credit and standing of the bank. You impress me, therefore, as being far more anxious over your job and your pocket than over your character as a man or official.

In the proceedings in court you took occasion to present the same pleas that in one way or another you had put before the House and the public, to the effect that I was trying to injure the bank with which you are connected and to gratify animosity you believed I hold against you. The record shows that I knew nothing of you or your supposed advocacy of the abolition of the comptroller's office and knew nothing of the details of your mismanagement until the chief examiner and the Deputy Comptroller of the Currency, believing that your abuses unless checked would jeopardize and ruin the bank and finding that your repeated promises of reformation were persistently disregarded, brought the situation to my personal attention and arranged for a conference with you in Washington in the comptroller's office in January last. The record shows that whatever troubles the bank may have had and the criticisms to which it may have been subjected were mainly the direct results of your misconduct and mismanagement and your deliberate refusal and failure to comply with the rules of this department and the laws and the principles of sound banking. You have sought to tie my hands and protect yourself against the consequences of your willful acts and the reckless handling of the money of others while using your place in Congress to malign and to endeavor to injure me.

You will not be allowed to execute these benevolent intentions if I can prevent. The results of the legal proceedings and processes of the courts must be awaited. I have eagerly awaited opportunity to be heard in relation to what has been said and done by you before the Congress and the public to which I am responsible. As a preliminary step in that direction I now renew my invitation and challenge to you to urge on the investigation of my personal and official conduct for which you expressed such acute anxiety five months ago. I observe with pleasure that to-day you presented in the House a resolution for such an investigation—the same you offered February 15, with some amplifications, presumably representing the results of your excavations and investigations in the interval. Judging from the reports of proceedings in the present House

thus far, there is a readiness to take up everything in the way of an investigation of the present administration that may be suggested.

Furthermore, my nomination for reappointment is before the Senate. You have opportunity there to present any evidence you may have to prove my unfitness. Permit me to add at risk of reiteration, that certainly it will be your duty to present to the House or Senate, or both, every scrap of evidence against me you may be able to find. However you may feel about such things, I have been taught to hold that character for truth and loyalty to duty are above any imaginable job or position of advantage. That character has been wantonly assailed by you. I now call on you to press directly and urgently for the investigation you asked or suggested before the last House, and now, after two months, advertise yourself as desiring of my official and personal conduct. I am ready for it at any moment before any competent body.

My name is now before the Senate committee above referred to. If you distrusted the same committee of the last Senate because the majority of its members were not of your political party, that cause of trepidation, or pretext for shunning the issue, is removed now. The committee is in session and has my case before it with full power to command the presence of persons and the production of papers. Again I invite and defy you to go before that body and present to it your accusations against me, with whatever you have or can find to support them. This need not obstruct or delay investigation of my administration and myself by the House. I will welcome that also, will be ready for it, I repeat, at any moment, and the more quickly it is ordered and begun the better pleased I will be. Meanwhile, however, the Senate committee is sitting and ready to hear, as its duty is, any charges against the appointee to an important and responsible office that anybody desires to put before it.

I submit as an unavoidable alternative that failure by you to present your charges and evidence to the Senate committee will prove that you distrust either the committee or your own case. I might submit, further, that if you shirk the show-down to which you are called you will be in the shameful position of having used your position to attempt to injure another man with widely and carefully spread attacks on his character which you are ashamed or afraid to support, and for confirmation of which you have no evidence you dare offer; but I do not know whether you are interested in that aspect of the case.

As you have assailed me before the Congress and the public, I shall feel at liberty to put this letter to you at the disposal of the newspapers and to endeavor to have it published in the Congressional Record.

I trust you will be able to understand the position in which you will be if you refuse or fail to respond to this call.

JOHN SKELTON WILLIAMS.

The whole issue simmers down, as I see it, to charges that I maliciously persecuted the Riggs Bank and its officials in 1915, and that I sustained a bank examiner in 1918 who had severely and justly criticized two local banks operating under State charters whose condition and discreditable operations for several years past had been a source of much solicitude to this office. This is not so much a trial as an inquiry to ascertain whether I am a proper person to be Comptroller of the Currency. If there is in the minds of any of you gentlemen doubt on any question bearing on that point, or if you feel that you need further information to aid you in reaching a conclusion, or if any matter or point lingers doubtful in your minds, or seems to you to need further clearing—whether it be a matter of fact or of opinion, or in or out of the record—I will be grateful to you if you will ask me, and will, as I have stated above, be glad to answer as promptly and fully as you desire.

However, it was indicated to me by the chairman early in the hearings that I might be expected to reply to every point and suggestion made against me. That suggestion has required me, at the expense of your time and mine, to reply in what would ordinarily seem to be needless detail as exact as possible, because my failure to consume time denying obviously false or absurd complaints might be

construed as reluctance and inability to do it. I hope you will believe that I have no reason to dodge or evade anything and no desire to do it. I can not imagine any question in connection with my administration of the comptroller's office or my conduct in it that I would hesitate to answer frankly, or any records of the office which I would desire to withhold from inspection by the proper person.

As to the matter of the Cooper banks, it seems to me that has been covered quite thoroughly, although if further information regarding it is desired I will be glad to furnish it.

If I am correct in my understanding of the situation, this leaves nothing to be considered but Mr. Hogan's latest demonstrations here. He has posed himself as the defender of the banks. I notice his friend, whom he vaunted so highly, the correspondent of a Boston financial weekly, agrees fully with him as to his importance and is quite vivid and eloquent in descriptive work narrating how the fearless Hogan came here, day after day, faced the cohorts of the comptroller's office and fought for the bankers of the country against this ogre—the comptroller—the battle which that editor asserts the banks were too cowardly or indolent to fight for themselves.

There is an element of humor in the thought of a school of whales sending forth a minnow or a catfish to do its fighting; but something of the kind, on a reduced scale, seems really to have happened.

You had put before you by Mr. Hogan the other day letters proving that Mr. Ailes and Mr. Glover, of the Riggs Bank, are taking anxiously eager interest in his appearances and manifestations here. Possibly, like Mr. McFadden, they were made bashful by prospect of cross-examination. It may be that, having painful recollections of former experiences, they feared Mr. Hogan might have another affidavit for them to sign.

However that may be, I ask the attention of the committee to the evidence Mr. Hogan put in this record of the lively, if somewhat camouflaged, part the Riggs Bank is taking in this hearing. I ask that this be considered in connection with the former evidence that the long review of the United States Trust Co. affair and of the Tribune article put before this committee was furnished by Mr. Hill, another object of Mr. Hogan's enthusiastic eulogy, the confessed publicity agent of the Riggs Bank. With these pieces of evidence before it, the committee may decide whether there is not reason to believe that, after all, Mr. Hogan's appearance is really for the Riggs Bank and that this whole opposition to me comes from that source. Deciding that, the committee may reach some conclusions bearing on the weight to be given protests with motives of anger, resentment, and malice so obviously behind and directing them. The existence of malice on the part of the Riggs officials, it will be remembered, was so clear as to attract attention of Judge McCoy and to draw from him mention in his opinion in the Riggs Bank case, both in his interlocutory decree in May, 1915, and again in the final decision in May, 1916.

If this view impresses the committee, there may come the serious consideration whether it is well to give warning to all future executive officials of the Government that to incur the hate or ruffle the feelings of rich and entrenched moneyed interests may mean official assassination following relentless and vindictive persecution. I know myself, and my conscience is clear. Therefore no disappointment

that could come to me need cause me so much concern as the thought that those to follow me in performance of the duties of my present office might be awed to timidity or evasion in the presence of rich and unscrupulous interests by recollection of my experience. There will be other Comptrollers of the Currency or officials charged with the work done by the comptroller. Other unscrupulous and influential banks spending the money of shareholders in their attacks will challenge those officials to choose between offending them or dodging obligations to the Government, the laws, and the country.

Mr. Hogan, self-proclaimed champion of the downtrodden banking interests of the country, frequently reverting to type and conducting his case before this committee as before the most petty of petty juries, offered a most surprising explanation of the silence of the bankers on this question of my confirmation, touching them so clearly. His friend and admirer of the *Boston Weekly* thought it was caused by cowardice or indolence or at least, expressed himself to that effect.

The Hogan theory is that the silence is a thunderclap, that the bankers of the United States could find no louder means of protest against me, no more intelligent method of resistance or rebuke than reticence—abstention from adopting resolutions laudatory of me at their official gatherings. I submit this argument to the committee as evidence of desperation, of cheap trickery and puerility and consequently of the pleader's recognition of the futility and emptiness of his own case. So far as I know, it never has been the custom of bankers of this country to have their assemblages pass upon the merits of Treasury Department officials. Following Mr. Hogan's line, I might suggest that their silence proves they have not the mortal fear of me they are represented as having, because it is the common habit of the affrighted to seek to curry favor.

However, to meet that issue, trivial as it seems, I take the liberty of submitting a few facts and documents. The national bank section of the American Bankers' Association has done me the honor to ask me a second time—I addressed them in 1916 at Kansas City—to deliver an address before its annual meeting at St. Louis in October, which invitation I have had pleasure in accepting. Since I have been in office I have also had the honor of addressing, by invitation, the assembled bankers of Maryland, Indiana, Tennessee, and Kentucky, and have been compelled because of the exactions of my official duties, much to my regret, to decline cordial invitations to address conventions of bankers of various other States, including among them Mr. McFadden's State of Pennsylvania. In reference to a remark by Senator Penrose before your committee regarding dissatisfaction with my administration among bankers of his State, I addressed him a letter which I take the liberty of introducing here, as follows:

TREASURY DEPARTMENT,
Washington, August 18, 1919.

HON. BOIES PENROSE,

United States Senate, Washington, D. C.

DEAR SIR: At the hearing before the Banking and Currency Committee of the Senate on July 29 you said to the committee (p. 706 of July hearings): "I have received a vast number of complaints about the comptroller's office from Pennsylvania. I suppose three-fourths of the bankers in the State have written to me complaining."

To that statement I replied: "I should be very happy, Mr. Chairman and gentlemen, to be given the opportunity of answering any complaints that have been made against the comptroller's office. I do not think it is fair, with all due respect for the committee, to act upon ex parte complaints which are not answered." The end of the sentence should have read "which I am not given the opportunity of answering."

In answer to that statement you said: "These complaints are so unanimous they are impressive. I have not gone into them at all. Most of these gentlemen do not want their names known, because they fear that things might be uncomfortable."

To which I replied: "How could they be uncomfortable to them?"

You answered: "I do not know. I am not a banker and do not know."

I then said: "I do not believe, gentlemen, that any member of this committee is willing to condemn a man on an ex parte statement on charges of which he is entirely ignorant. I am not willing to believe this committee would be governed in that way. It would be subversive of the most elementary principles of justice and fairness. But we have seen the character of some of the complaints—the hollow, shallow, mocking character of some of the complaints that have been filed with your committee."

"I have pointed out to you the resolutions which your committee was informed were passed by the 'clearing-house association' of Winchester, Ky., and laid before this committee in February by an eminent distinguished former Member of the Senate, and when he was asked what 'clearing house' passed that resolution he declined to say. A member of the Senate committee told me subsequently that he understood that the resolution came from Winchester, Ky., and I have shown you that a few weeks later a national bank examiner wrote to me and stated that he had had occasion to examine the national banks at Winchester, Ky., a few days before and that in the course of his examination he called for the clearings in order that he might check them up with the clearing house, and the officer of the bank to whom he made the application became very much confused."

"He said, 'We have no clearing house and never had one.'"

"The bank examiner said, 'Have no clearing house? Who passed that resolution which was presented before the Senate condemning the Comptroller of the Currency?'"

"His confusion increased. He said, 'So-and-so,' naming an officer an officer or the teller in the other national bank of the city. 'He and I got that up'—a resolution which purported to be a resolution of the clearing house and was sent on to Washington as a resolution of the clearing house which did not exist and which had never existed. He said, 'I got that up. I am tired making out those reports for Washington. I am a Republican, anyhow.'"

"That was his excuse to a national-bank examiner, whose evidence is in this record. And there is a 'fake' resolution of the Winchester clearing house laid before you for the purpose of influencing your judgment and your opinion by two petty officers of national banks there, and when inquiry was made of the president and directors about that they expressed their deep regret that anything of that sort should have happened and said that they knew nothing of it at all."

The chairman asked me: "You do not mean to imply that the Senator who introduced that resolution knew that it was a fake?"

I said to the committee: "I know nothing about that. I told you in the previous hearing that the same Senator who introduced that resolution had informed your committee that he had never received a letter or word commendatory of the Comptroller of the Currency, and that subsequently, when it was discovered that I knew of correspondence which he had had in Lexington, Ky., with a leading banker of that city, the president of the local bankers' association, he said, 'Well, I was going to mention that letter,' but he never read the letter to the committee, and that letter was read to the committee subsequently by me, and inserted in that record, in which that leading banker, a man who had had 40 years' experience in the banking business, informed the Senator that he had been in the business 40 years, and that he had seen many comptrollers come and go, but that he was never aware of an administration which had been more successful than the present one. The letter was commendatory throughout. He said that his bank had never been put to any hardship, and that he welcomed the examinations which were being made, which were calculated to improve and strengthen their position. And he said, 'In

order that you may see that I am not governed by partisan motives, I am a rock-ribbed McKinley Republican, and always expect to be. But I think it is only fair to the comptroller that I should write you as I am doing.'

"When the Senator stated to your committee that he had never received or heard a commendatory word about the comptroller he was in possession of that letter, freshly received. I mention the Winchester resolution as indicative of the secret propaganda against the comptroller's office.

"Without boasting, I desire to say that the comptroller's office is in receipt of hundreds of letters from all over the country, from Republicans and Democrats alike, regardless of political affiliations, commending and approving in the highest terms the methods and policies which have been instrumental in achieving the results which have been obtained in the past five or six crucial years."

Part of this colloquy was published in the newspapers. Doubtless you have noticed the avidity with which some correspondents have put into print every suggestion that might tend to discredit me or my administration of the comptrollership. Aside from that and for reasons which will present themselves to you naturally I am interested in your summary of the feeling toward me among the Pennsylvania banks. I realize that your remark was casual and know how easy it is for a small minority of any class, by clamor and aggressiveness, to impress the belief that they are the majority or the whole. Therefore I am taking the liberty of asking that you will do me the favor to analyze the facts of the complaints and protests of which you spoke.

June 30 of this year there were 1,383 national and State banks in Pennsylvania. I think you will ascertain, by a little inquiry, that you were mistaken in thinking that three-fourths of these, which would be 1,037, have complained to you against me. I ask you further to consider that men of the standing and intelligence of the average Pennsylvania banker are not likely to be timid or fearful of shadows. The opportunity to be rid of me with presentation of tangible or definite charges or complaints was wide open before them while the Banking and Currency Committee was taking evidence in the matter of my nomination and inviting all to state their grievances. My own belief, in which I am sure you will coincide, is that the banking people of Pennsylvania are made of sterner stuff than to be content to express their wrongs, or to do their duty as citizens in aiding in the deposition of an unfit or dangerous official (especially with such opportunity before them) from the hiding place of anonymous or vague statements of dissatisfaction. I think you will agree with me that their impulse and instinct, if they felt they were oppressed or dealt with unjustly, would be to oppose their enemy in the open and undertake to overthrow him with facts.

As you have heard, or will see in the record, of the 1,383 banks in Pennsylvania direct opposition to my confirmation came from one. As you know, he is a Member of the House of Representatives, but failed to answer my challenge several times repeated, to go before your committee and state his case. To the time of this writing he has refused, or failed to push the investigation of my conduct and character which he so boastfully promised. My urgent demand that he make his promise good is unanswered. He has applied to a United States court in Pennsylvania for an order to restrain me from demanding access to the records of his bank for criminal or other prosecution and to prevent me from requiring him or other officers of his bank to be witnesses against themselves, and further from disclosing any of its affairs to "Members of Congress" or others. For the proponent of a resolution of investigation he seems to be somewhat shy of investigation.

The record of your committee will prove to you that he is far from being a representative of the men or the methods of banking in his State.

On the other hand, I have letters from banks in Pennsylvania, large and small, commending my work as comptroller, and some men of your own party have written me that they have written you, without suggestion from me and without my knowledge, strongly commending my administration.

I state further, as a fact to be proved or disproved from my official files, that in the more than five years of my administration as comptroller not one instance of oppression or injustice has been shown. I could not believe, and you could not believe, that all the bankers of this country are cowards, to crouch under an unjust lash and answer it only with suppressed whimpers.

It is true that some few complaints against this office have come to my knowledge from State banks, which are not under my jurisdiction. Some of these, of unquestionable character, have thought that in public statements I have dis-

criminated in favor of national banks by showing that the casualties among national banks were less in proportion than among the State banks. I have given the facts it was necessary to give and that the law expects me to give. I have kept in view, also, the hope that the system of State bank examinations might be brought to the same efficiency and strictness that have contributed to the gratifying conditions we now have among national banks, promising the disappearance of mismanagement and failures.

It is possible that some echo of these complaints may have reached and misled you. State bank examiners themselves have protested against the methods of this office, and I am informed that some of them in a recent assemblage adopted resolutions favoring abolition of the comptrollership. Yet you have seen in your own State, and very recently, the tragic and distressing results of laxity in supervision of State banks holding important positions and supposed to be under the best management.

Nothing is more natural or inevitable than resentment of supervision by citizens of position and influence unaccustomed to criticism. My hope and belief are that when you analyze, as I have ventured to suggest, the complaints of which you spoke, you will find them to be from those who have fallen under restraint necessary for their own safety and the public welfare, and from their associates and friends; and from State banks restive under implied criticism for the lax examination methods to which they are accustomed, but which they now realize, doubtless, may be attended by sad and destructive consequences.

Yours, very truly,

JOHN SKELTON WILLIAMS.

As I have no reply to this, I assume that Senator Penrose ascertained, on inquiry, that the gentlemen from whom he had heard could present no tangible complaint and simply had been asserting the inalienable Anglo-Saxon privilege of general dissatisfaction with the Government. It is inconceivable that the Senator's constituents—men of intelligence, patriotism, and responsibility—would have feared to present to him any serious accusations they might have had in connection with a matter so serious as the conduct of the comptroller's office, especially at a time so critical as this.

A few of the many commendatory and very gratifying letters which have come to me from all parts of the country I have taken the liberty of bringing to your attention in the early part of this statement in answer to Mr. Hogan's suggestion of "ominous silence." Let me invite your attention to the fact that the only letter which, as far as I have learned, Mr. Hogan has been able to find critical of this office for use in his personally conducted propaganda, and which he had printed and has been sending out, was a three-year-old letter from a North Dakota banker complaining that banks were leaving the national system and converting into State banks. In August, 1919, while Mr. Hogan was scattering that letter, that North Dakota banker made formal application to this office for permission to convert his State bank into a national bank!

I ask consideration of all these facts and letters in connection and contrast with the adverse letters mentioned in former hearings, but not produced, by Senator Weeks, and the letter from a banker in Nebraska, not introduced here, but presented by Representative McFadden as a part of the smoke screen which he threw up in the Congressional Record a few days ago to cover a retreat which impressed me as ignominious.

You gentlemen doubtless noted that the greater part of Mr. Hogan's most recent utterances before you, to which I have had access, was a quibbling defense of the Riggs Bank, curiously mixed with nibbling attacks and outbursts of malice against me. I have answered, from

the records, every point I could discern and identify as bearing on the case. As to the perjury case, I did not participate in that prosecution nor instigate it. My only interest in that phase has been to demonstrate that when I denied such participation I told the literal and exact truth. Mr. Untermeyer sustains me. The records sustain me. The only basis for the attempt to contradict me is the unfounded surmise of Mr. Hogan, whose testimony on other points is so thoroughly discredited or disproved.

Your committee will find additional evidence of Mr. Hogan's desperation, his malicious disregard of facts and ignorance in the large promises he made of what he would prove if he could but have access to my personal diary and certain records of the Treasury Department. In passing, it is appropriate to note the fine note of chivalric scorn struck by Mr. Hogan in describing the refusal of the Riggs Bank officers to buy from an unidentified thief transcripts of my private diary. It is difficult to avoid the cynical reflection that the proposed purchase might have been expensive and probably would have brought the purchasers within the purview of the criminal law for buying stolen goods. Mr. Hogan, acting here, as seems to be established, with the warm approval and active connivance of the Riggs Bank officials, found a cheaper and safer way. He would not buy my private diary, but he undertook to use the incautious confidence of the thief to induce this committee to secure the little book for him. It was produced promptly and put at the committee's disposal, with results which you know.

The Treasury Department records, from which so much of startling and damning revelation was promised by the sanguine Hogan, were produced promptly, and you saw them. I submit that these incidents are sufficient to show the character, the motive, the animus, and the instigation of this opposition to me. They seem to me conclusive evidence of furious, unscrupulous, implacable malice, in addition to the previous evidence on which Judge McCoy based his opinion on malice.

Now, gentlemen, I congratulate you on the fact that I have finished unless you wish further information or testimony. I regret that I have been the involuntary cause of so much trespass on your time, attention, and patience. I thank you sincerely for the kindness and consideration you have shown me in throwing the doors wide open, inviting all accusers and complainants, and giving me full opportunity to answer.

I regret that the few adverse witnesses who have appeared have taken advantage of the freedom allowed them and have so abused the opportunity by making and giving publicity to accusations wholly and maliciously false and which they did not even pretend or attempt to corroborate. The fidelity and integrity of my administration has never been and can not be truthfully questioned. The facts also seem to show that its efficiency has been high—I may add, I think the records show, unprecedentedly high—and that in execution of my purpose and aim to aid as far as I could in keeping the banks of the country under my supervision safe and useful and in position to meet unprecedented demands upon them in those world-racking times I have not been disappointed.

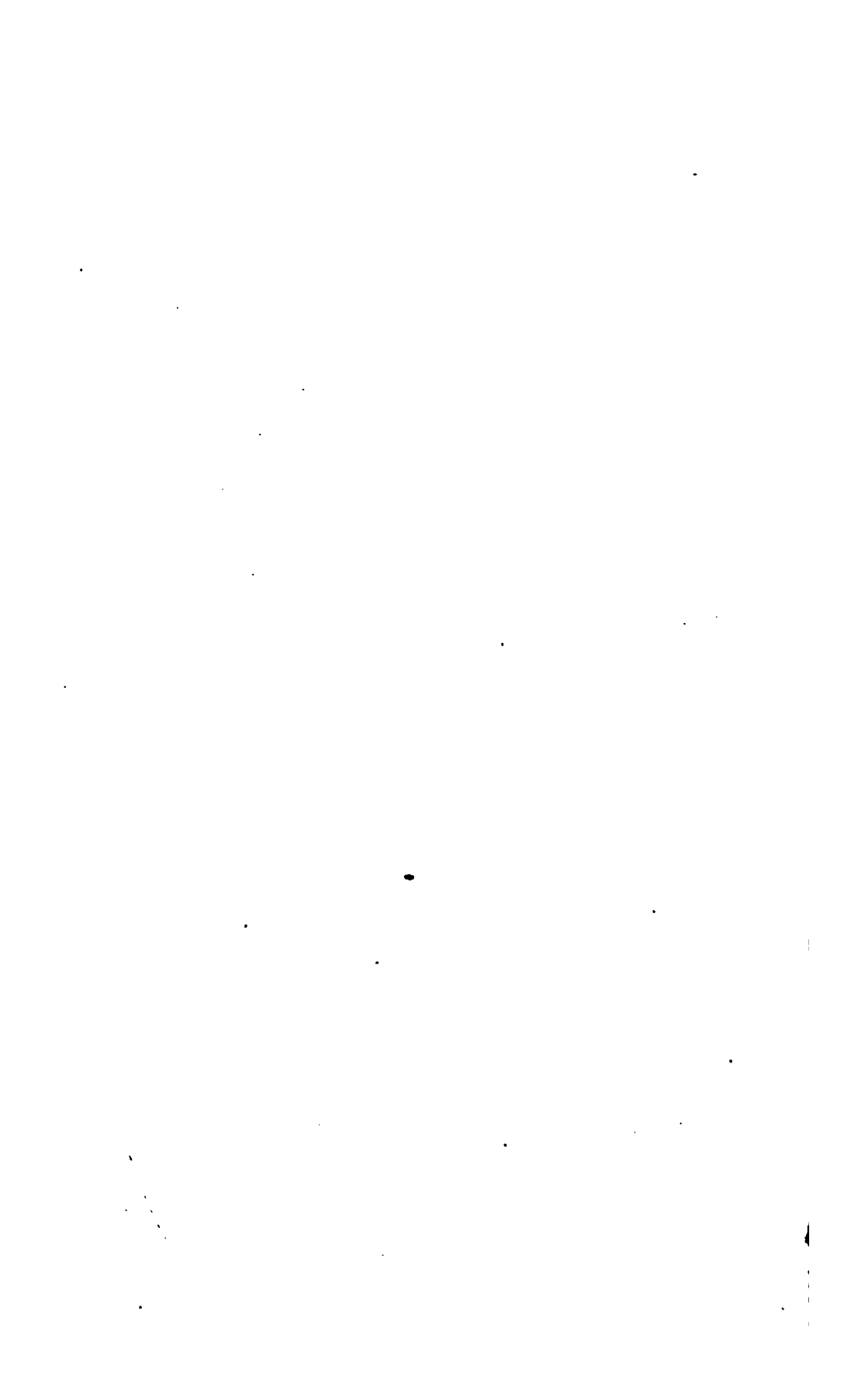
I have tried to follow out to the last ramification and meet fairly and squarely every charge and insinuation against me. My office has

nursed to health and strength with tireless energy strong banks which had been made weak and sickly by misfortune or mismanagement, but the authorities of which showed honest purpose of amending. We have been severe where that course was necessary. So far as I can discover, the real provocation for all this protest is my determination that it was not becoming nor prudent to me, representing the Government and law, to approach and remonstrate with those who would put their own judgments and customs and selfish aims above the law in a bondman's key, with bated breath and whispering humbleness.

Respectfully submitted.

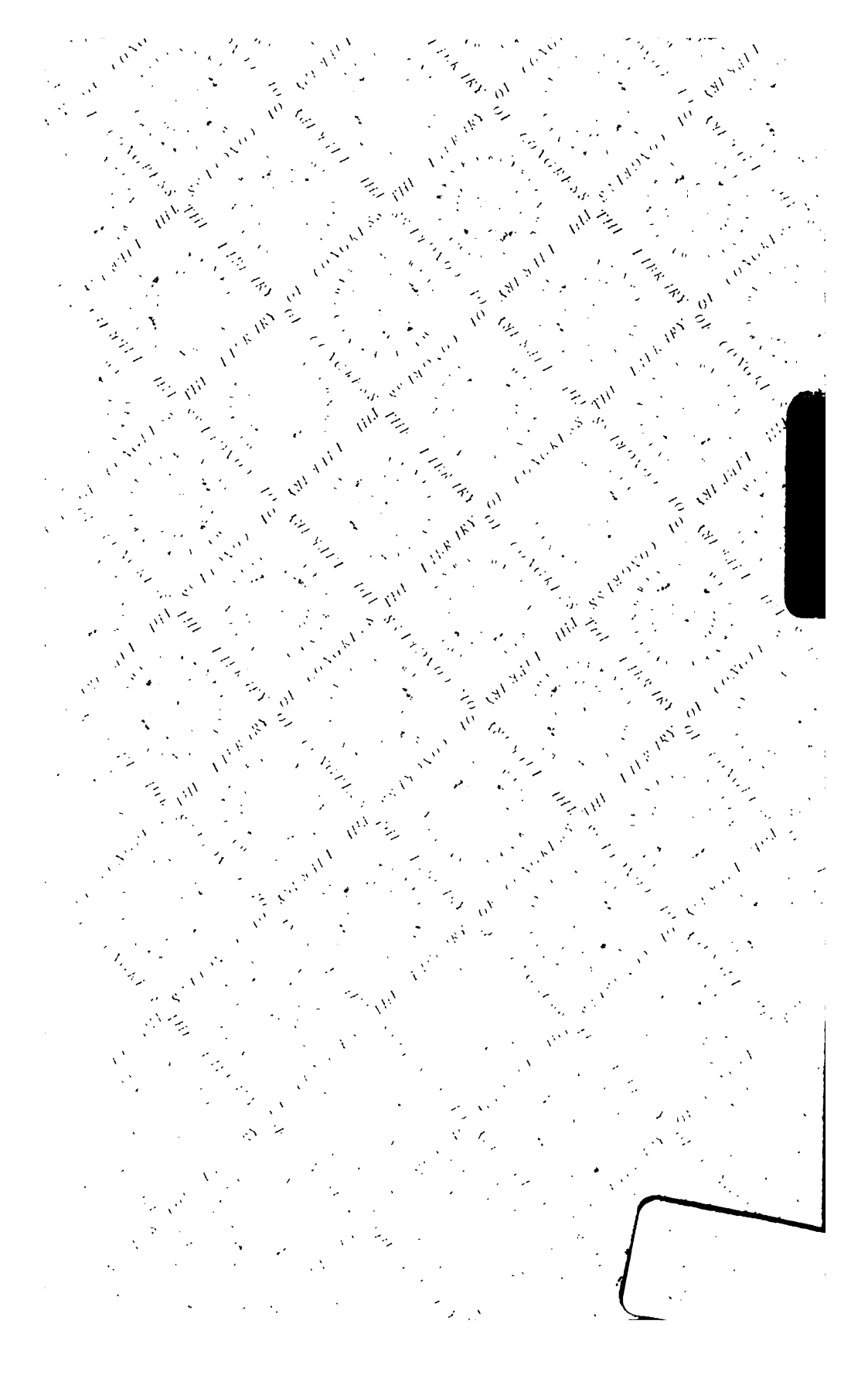
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